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GENERAL AND COMPLETE DISARMAMENT

Conversion of military resources to civilian purposes

Report of the Secretary-General

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* Effective 19 September 1991, the name of the Byelorussian Soviet Socialist Republic was changed to Belarus.

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I. INTRODUCTION

1. On 15 December 1989, the General Assembly adopted resolution 44/116 J, entitled "Conversion of military resources", by paragraphs 1 and 2 of which it invited Member States to submit to the Secretary-General by 30 April 1991 their views concerning various aspects of the conversion of military resources to civilian purposes and to include in the provisional agenda of its forty-sixth session an item entitled "Conversion of military resources to civilian purposes".

2. Pursuant to the request of the General Assembly, the Secretary-General, in a note verbale dated 28 January 1991, requested Member States to submit their view with respect to various aspects of the conversion of military resources to civilian purposes. Replies have been thus far received from Belarus, Brunei Darussalam, Bulgaria, China, Cuba, Liechtenstein, Norway, Panama, Peru, Philippines and the Union of Soviet Socialist Republics. The replies are reproduced in section II of the present report. Other replies will be issued as addenda to the present report.

II. REPLIES RECEIVED FROM GOVERNMENTS

BELARUS

[Original: Russian]

[26 June 1990]

1. Positive developments in international relations, the ongoing process of arms limitation and disarmament and the currently discernible transition to new foundations for international security, in which an increasingly important role will be played by confidence and openness, are all elements of the enormous, urgent task now confronting us of moving from an armaments economy to a disarmament economy. In view of this it is vitally important to accelerate the conversion of military production and direct the capacity and resources thereby released to resolve social and economic problems.

2. The Byelorussian SSR, convinced that conversion is necessary and desirable and ultimately has a beneficial effect on the economic and social environment, supported resolution 44/116 J, entitled "Conversion of military resources".

3. It is well known that in the present state of the Soviet economy the defence industry is one of the most developed and well-organized production sectors. Therefore, as the economy is restructured, this sector should act as the provider not only of resources but also of the most advanced technology for the production of equipment for the civilian branches of the economy and of consumer goods capable of competing in world markets. It is also possible to transfer these technologies to other branches of the economy.

4. The Byelorussian SSR is convinced that the conversion of military production, owing to its important economic potential, is also a significant factor for international security and at the same time a lasting material guarantee thereof. In our view, conversion would testify to the resolve of States to cut their military programmes, confirm their readiness to embark upon disarmament, and encourage the strengthening of international confidence.

5. It would be important to encourage, under the aegis of the United Nations, multilateral cooperation in this highly relevant field. A solid foundation has been laid here by the Action Programme of the International Conference on the Relationship between Disarmament and Development.

6. Conversion is a complex and multifaceted issue. In order for it to succeed it is of primary importance to render the disarmament process irreversible, and to reaffirm the principle of sufficiency of weapons for defence purposes and the purely defensive structure of the armed forces.

7. It would also be desirable to consider measures vital to the processes and aims of conversion such as halting the use of scientific and technical achievements for developing and manufacturing new kinds of weapons of mass destruction, and preventing new military technology from endangering international stability and security.

8. A serious approach to the problems of conversion calls for leadership from all States in this field and adoption of the relevant legislation.

9. Conversion is undoubtedly needed but at the same time it raises a series of difficult economic, technical and social problems. In its initial stage it will require additional investment, which might be funded by channelling part of the resources released from the military technology budget. It will be necessary to make changes in the structure of enterprises and to resolve the problem of adapting the latest technology transferred from the defence sector to the different technological level of civilian production. Efforts to solve the problems of conversion might adversely affect the social interests of some categories of workers and members of their families.

10. Conversion will be facilitated by the fact that the defence sector in our country has already been producing consumer goods.

11. The process of conversion has already started in defence-industry enterprises in the Byelorussian SSR, a process characterized by the manufacture of goods primarily for general purposes. Furthermore, enterprises and organizations in the defence industry with the appropriate production, scientific and technical capacity are to a certain extent being reoriented to meet the requirements of the population in terms of consumer goods and medical technology, and also the need of the processing sectors of the agro-industrial complex for technological equipment.

12. As a result of conversion, the value of production of consumer goods rose by 22 million roubles in 1989 and is expected to rise by 90 million roubles by

1990, of medical technology by 0.6 and 3.6 million roubles respectively and of industrial and technological products by 13.3 and 53.6 million roubles.

13. Conversion presents enterprises with serious problems of a complex technical, technological, personnel, financial, economic and social nature. There are particularly acute problems concerning credit for growing surpluses of goods and materials, and making additional payments to specific categories of workers because of a reduction in the complexity of manufactured goods. For most enterprises, the lower profitability and value of civilian production do not compensate for the decreased volume of military production, and previously established economic indicators of productive activity (labour productivity, profit and so on) cannot be matched. As a result, funds for production, material incentives and social development are dwindling.

14. However, the actual situation and modern approaches require us to find the best possible technical, economic and social solutions acceptable to all parties participating in conversion. Both enterprises and government organs are tackling this issue at the moment.

15. Of course a certain degree of experience in conversion which a number of countries have accumulated over the past decades cannot yet be judged sufficient. Therefore it is becoming particularly important for both national and joint efforts to be made towards an effective solution of the problems of conversion. The United Nations should play an important role in this. The International Labour Organisation could also develop its contribution and has indeed already undertaken useful research in this direction.

16. A significant role in mobilizing the will to take practical steps towards conversion can be played by public opinion. Undoubtedly scientists bear particular responsibility for this. New and comprehensive research is needed to bolster the ideas of the new thinking by taking account of the economic advantages of conversion. Of particular relevance in this regard is the proposal by the Soviet Union for the establishment of a group of scientists for an in-depth analysis of the problems of conversion, followed by the preparation of a report by the Secretary-General for consideration by the General Assembly. The Byelorussian SSR considers this to be a natural step towards promoting multilateral cooperation in the field of conversion.

BRUNEI DARUSSALAM

[Original: English]

[6 May 1991]

1. The Ministry has the honour to convey Brunei Darussalam's support for General Assembly resolution 44/116 J. However, in view that Brunei Darussalam is a small consumer of military warfare, comparing to other nations, especially the big ones, its contribution towards effective implementation of the resolution is therefore not significant.

2. Although the conversion of military resources to civilian purposes does exist at certain periods, their uses are, however, very limited to particular types of military vehicles. There have been occasions when military vehicles were converted for use as public transport during certain national events.

BULGARIA

[Original: English]

[19 June 1991]

1. The issue of conversion of military resources to civilian is acquiring greater significance in the current international situation. The first positive results in the field of real disarmament are already available. The Soviet-American Treaty on the Elimination of Intermediate and Shorter-Range Nuclear Missiles has been implemented. Prerequisites for reducing the strategic offensive weapons of the Soviet Union and the United States of America are being created. The drafting of a convention on the total prohibition of chemical weapons and the destruction of its stockpiles is an incontestable priority task. The Paris Treaty on Conventional Forces in Europe has been signed. At the same time, a number of States are undertaking unilateral measures for disarmament.

2. The considerable results attained in the disarmament and arms control and the positive prospects in this area enhance the importance of the national and international aspects of the conversion of military resources. In general terms, the conversion can be defined as a gradual process in which the ratios of distributing human, financial and material resources between the civilian and military areas, are being altered to the benefit of the former. Hence, conversion can be regarded as a natural continuation and development of the reduction and elimination of armaments and as a political and economic guarantee for the irreversibility of disarmament.

3. For a long time, a number of States have been working on the conversion of military resources. Bills on military conversion have been submitted repeatedly in the United States Congress. In December 1988, in the General Assembly, the Soviet Union expressed its intention to submit to the United Nations its national plan for conversion. The initiative of the Philippines put forward at the third special session of the General Assembly of the United Nations devoted do disarmament, is well known. In the United Nations quarters, a great number of Member States manifested their interest in the issues of conversion of military resources. General Assembly resolution 44/116 J, entitled "Conversion of military resources", was adopted by a virtual consensus. Resolution 45/58 N, entitled "Charting potential uses of resources allocated to military activities for civilian endeavours to protect the environment", adopted by the General Assembly on 4 December 1990, is yet another evidence of the wide interest in the issue of converting military resources to peaceful purposes. Bulgaria regards the United Nations commitment to this issue as extremely well-timed and in harmony with current positive trends in international relations.

4. Bulgaria has undertaken unilateral measures for conventional disarmament which are being followed by relevant activities directed at a practical conversion of an appropriate part of its mlitary-related industrial capacities. An interdepartmental group has been set up in Bulgaria to study the problems of conversion. The group will carry out scientific research and analyse the forms and means of preparing individual industries and enterprises to be converted to non-military activities, taking into account relevant foreign experience and specific Bulgarian conditions. At Bulgarian companies manufacturing weapons and combat equipment, the ratio between civilian and military production is already 40 to 60, compared with a 30 to 70 ratio in 1988. A 26 per cent rate of renovation of commodity production in the defence industry is expected. As a result of conversion, a growing number of military plants in Bulgaria are now manufacturing machine tools, transport and farming machinery, machines for the textile and food industries, components for automated systems, and so on.

5. Bulgaria is aware of the fact that the conversion of military resources is a difficult and complicated issue. At the same time, it is convinced that unclarified matters and hesitations in this field could be overcome with joint efforts of the States concerned. Thus, conversion can contribute to the raising of the living standards of the respective States.

6. All States individually and the international community as a whole have an interest in the optimum implementation of the conversion of military resources. Thus, the following observations require attention:

- The right balance between the non-military and military sectors of the economy of States is a universal issue and its solution requires international efforts. Conversion cannot be carried out outside the existing energy, environmental, demographic and other problems that are facing all nations;

- The importance of conversion for the social and economic development of all States reveals, too, the universality of this issue;

- The issue of conversion of military resources has inter-relationships with concrete arms control and disarmament efforts of States.

7. Considering the issue of conversion of military resources, the States have to bear in mind the need to close up or restructure the military industry, reduce armaments already available and provide for job reorientation and requalification of the personnel employed in this area.

8. The common interests of States in the theoretical and practical aspects of the conversion of military resources could find an appropriate place in this new area of international cooperation. The United Nations could assume an important role in helping Member States promote exchange of national experience with a view to uniting the effots of Member States and facilitating the international community to consider and solve common problems relating to the conversion of military resources to civilian purposes.

9. The exchange of national experience on conversion of military resources could be carried out through the United Nations Department for Disarmament Affairs or the United Nations Institute for Disarmament Research. The Bulgarian Government believes that one of the possible ways to promote such an exchange consists in Member States submitting to the Secretary-General national studies and other relevant information on conversion projects. Such a conversion databank would aid individual States in choosing optimal behaviour in this area.

10. In the process of conversion, when it becomes increasingly necessary to consider the pressing problems of the day, the Secretary-General, at a convenient time, could undertake a study on objectives, principles and possible modalities of activities in this field. Such a study, and the discussion on conversion in general, could analyse various national, regional and global aspects of the issue and the specific characteristics of conversion in the field of nuclear, chemical, conventional, disarmament, the relationship between conversion and ecology, measures to be undertaken by the international community in the area of conversion of military resources.

11. General Assembly resolution 44/116 J on the conversion of military resources stipulates the degree of commitment of Member States to further promoting this issue. The exchange of views has so far indicated that additional efforts would be necessary to get over some of the doubts expressed in order to pave the way for more active involvement of the United Nations in using the potential results of military conversion in the interest of all nations' welfare.

12. The involvement of the United Nations in promoting the issue of conversion of military resources has to be a gradual process, taking into account the interests of all States concerned. The Republic of Bulgaria considers that the conversion issue should not stay out of the attention of the international community, as its importance will probably increase with the further progress of the disarmament and arms control process.

CHINA

[Original: Chinese]

[23 May 1991]

1. China has always pursued an independent foreign policy of peace and adopted, on its own initiative, a number of actions conducive to the realization of the objectives set for the world disarmament. To convert military industries to civilian production is one of the relevant important measures.

2. China holds that such conversion will promote the process of disarmament and world peace and security. The international community should accord importance to this question and the United Nations should play an active role

in helping various countries to develop and advance the theory and practice concerning the conversion of military industries to civilian production. Countries concerned should strengthen their exchange of information and experience in this field with a view to resolving the problems that emerge from such conversion.

3. China appreciates the work carried out by the United Nations Department for Disarmament Affairs for this purpose, and hopes that the Department will continue to actively promote the activities for the peaceful use of military industrial technology and the international cooperation and exchange in this regard.

4. In order to enhance the global activities for such conversion, China wishes to introduce its practice of and experience in conversion as follows.

5. The Chinese Government, in line with the development of the world situation and the need for national economic construction, has helped bring into full play the technical expertise and potentiality of its military sciences, technologies and industries, thus making a positive contribution to the development of national economy. It has also carried out effective research and practice aimed at peacefully using military industrial technology to benefit mankind.

6. China's efforts in conversion includes two aspects: one is to make military industries produce civilian products, the other is to adapt military industrial technology for civilian use. Over the past decade, under the guidance of the State industrial policy, military industrial departments have actively adjusted their industrial structure and product mix. They have actively participated in the research on and the production of some key State civilian projects and major equipment, and have been energetically assisting major State development industries, such as energy, transportation, and so on. They have not only carried out research on and produced a large amount of machines and facilities for the technical transformation of the traditional industries, but also produced a variety of light industrial products and other household electrical equipment, thus boosting the domestic market. They have also actively participated in the regional economic development by providing technical service, assisting village- and township-run enterprises and supporting agricultural production. To date, the military industrial departments have established more than 300 production lines and the local governments have also granted some loans to support the conversion from military industries to civilian production. Over 10,000 kinds of products in 43 categories have been developed and produced and a total of more than 30,000 items of scientific and technological achievements that were used for military purposes have now been turned to civilian use. The output value of civilian products has taken up 65 per cent of the gross output value of the military enterprises. At present, China's entire defence sciences, technologies and industries have been turned to serve the modernization drive in the country's industry, agriculture and other trades, and national defence at the same time.

7. Peace, prosperity and development are the finest aspirations cherished by mankind. To shift military industries to civilian production and peacefully to use military capabilities and technologies are one of the ways and means to realize these wishes. China will continue resolutely to follow the road of combining the military and civilian production. We hope that the peaceful use of military capabilities and technologies will become a common goal and practice of all countries so as to enable the military industrial technology to be used widely for the cause of maintaining world peace and promoting the economic and social development of all the countries to benefit mankind. China is prepared, on the basis of equality and mutual benefit, to expand its wide exchange and cooperation with other countries on the peaceful use of military capabilities and technologies.

CUBA

[Original: Spanish]

[7 May 1991]

1. On this matter, the Government of the Republic of Cuba wishes to make the following points:

(a) Conversion can be seen as having two, interrelated facets. It is an expression of the political will to reduce military budgets, and it is an economic requirement for solving the problems of economic and social development.

(b) In the context of the international efforts to reduce military budgets, States can, in pursuing such budget reduction policies, elaborate and design programmes for the conversion to civilian purposes of resources heretofore used for military activities, with the attendant benefits both for the economy and the economic and social development of the country adopting such a programme and, by way of assistance and cooperation, for those of other countries, particularly developing countries.

(c) Implementing conversion programmes and using military resources in conjunction with international cooperation will help to promote the objectives of the Action Programme of the International Conference on the Relationship between Disarmament and Development.

(d) Conversion programmes, considering their link with military budget reduction policies, do not require the establishment of international criteria on the comparability of State military budgets in order to function, but can be conducted and conceived as a confidence-building measure taken by States, voluntarily, with the intention of helping to create a climate of confidence and security that will ensure peace.

(e) While all States can engage in conversion activities, the States that possess nuclear weapons and those with the largest military arsenals must, because such activities are so significant and play such a large part in efforts to reduce tension and help bring about peace, be the ones to make the most intensive and sustained conversion.

(f) Specialized military knowledge and military technology, infrastructures and production can help to resolve a large percentage of the many economic and social problems facing States both nationally and regionally, as well as local problems like pest and disease control, epidemics, meteorological problems or environmental protection and preservation.

(g) Programmes to divert resources from the area of military research and development would help not only to free the enormous human and material resources that the sector absorbs but also to slow the spiralling arms race and prevent the emergence of new nuclear and mass-destruction weapons and weapon systems.

(h) States possessing the most and the most dangerous arms-production facilities, in either the public or the private sector, must move most quickly to set up programmes to redirect the industries involved.

(i) Legislative and other measures must be adopted as needed to guarantee the employment or, where necessary, the retraining, of persons diverted from military activities to other, civilian work.

LIECHTENSTEIN

[Original: English]

[5 February 1991]

Owing to the fact that the Principality of Liechtenstein abolished its army in 1868 and has had no military forces since then, the competent Liechtenstein authorities are not in a position to give views and suggestions on the matters contained in the above-mentioned resolution.

NORWAY

[Original: English]

[17 June 1991]

1. Achievements in arms-control negotiations in recent years and prospects of further progress in ongoing disarmament processes should affect Governments' readiness to redeploy resources from the military to the civilian sector. The conversion of military resources to civilian purposes represents

an important aspect of the problems associated with a reallocation of resources. Experience as well as research suggest that conversion is feasible. Nevertheless, there is a continued need to sort out and analyse the various problems involved in conversion processes. Numerous transitional problems of political, economic and technical nature need to be dealt with, on both the domestic and international levels. In addition, certain institutional and generally recognized policy measures or plans have to be designed.

2. One of the critical issues related to conversion pertains to employment. Conversion is bound to engender temporary disturbances in the employment sector. However, with certain institutional and generally recognized policy measures, one might be able to handle this problem to a certain extent. In addition, military factories engaged in conversion processes might experience difficulties in finding supplies for their new lines of production as well as in creating adequate technology at acceptable costs. There are also likely to be problems associated with the distribution of consumer goods produced by the arms industry. To enter the consumer sector, marketing strategies are required, which implies that new means of selling products have to be developed.

3. Conversion involves a multitude of problems of a technical and industrial nature as well. For instance, certain alterations and adjustments in the field of military-industrial research and development have to be made. Recognizing that a significant part of the global research and development effort relates to arms production, the process of industrial readjustment will involve difficult and controversial issues. The spin-off effects from advanced military development programmes could be significant.

4. In Norway's view a successful implementation of conversion programmes could release resources for development cooperation, thus bringing the volume of aid in line with the target set by the United Nations. In addition to increased development cooperation, a reallocation of resources from the military to the civilian sector among the industrialized countries should be used to assist developing countries in their environmental efforts, in particular in terms of transfer of new and additional financial resources, and technology. However, there is no simple correspondence between reduced defence spending and increased aid. But considering the present resource constraints of developed and developing countries alike, reduced world military spending could in the longer run contribute to increased efforts in this respect.

5. In the present situation, countries have had little practical experience to support their efforts in converting military resources to civilian purposes. The initiative taken by the adoption of resolution 44/116 J should lead to a useful basis for renewed efforts by the United Nations in this field.

PANAMA

[Original: Spanish]

[1 August 1991]

1. The Government of the Republic of Panama has, since the events of December 1989, been engaged in a process of demilitarization. For this reason, Panama's experience in converting military resources to civilian purposes is extremely important.

2. The former Defence Forces of Panama were an institution combining military, police, and administrative functions, but in the purchasing of equipment and the training of staff particular importance was given to the military aspects.

3. Many offices that used to provide administrative services and were under the authority of the former Defence Forces have been assigned, through Decrees Nos. 38 and 41 of February 1990, to the Ministry of the Interior and Justice:

(a) National Office of Immigration and Naturalization;

(b) National Office of Transit and Ground Transport;

(c) National Department of Investigation (DENI), now called the Judicial Technical Police (PTJ);

(d) National Corrections Office;

(e) National Passport Office.

4. Those same decrees provide for four public security services, with separate mandates and personnel and each independent from the other, under the authority of the President of the Republic:

(a) National Police;

(b) National Air Service;

(c) National Maritime Service;

(d) Institutional Protection Service (assigned to the Ministry of the Presidency).

5. Also established was an Inter-ministerial Committee in charge of distributing the extensive property belonging to the former Defence Forces. This Committee, composed of the Ministers of the Interior and Justice, the Presidency, and Housing and the Treasury, have transferred to public agencies considerable quantities of immovable goods, among them:

(a) Military installations: 17 forts or military barracks;

(b) Eight residences of heads of military zones or headquarters of the Association of Wives of Officers of the Defense Forces of Panama (ASEFUDEP);

(c) Nineteen miscellaneous properties.

6. In addition, all furniture and equipment from various camp facilities and the offices of ex-General Manuel A. Noriega are being used for various public offices of the country (in the sectors of health, education, sports, public works, etc.).

7. All the heavy equipment of the Military Battalion of Engineers was transferred to the Ministry of Public Works and 12 aircraft of the former Panamanian Air Force, valued at the market rate of approximately 10 million balboas, have been given over to the Ministry of Housing and the Treasury to be put up for sale.

PERU

[Original: Spanish]

[8 August 1991]

1. Pursuant to paragraph 1 of General Assembly resolution 44/116 J adopted on 15 December 1989, the Government of Peru expresses the view that the conversion of military resources to civilian purposes is an item of great political importance, particularly for the strengthening of international cooperation and the revival of the economic growth and development of all countries.

2. Accordingly, Peru is committed to promoting this item within the United Nations system and supporting specific measures and appropriate mechanisms for making a speedy and efficient conversion.

3. The application of such measures and mechanisms requires careful study of the legal and administrative points to be taken into account in the course of conversion, and should also encompass all aspects bearing on the legitimate national interests of States Members.

4. Moreover, this process of conversion should be systematic and gradual and should include a review of, in addition to other issues of a legal nature, the possible social and economic consequences entailed by the conversion - such as adaptation of technology, manpower training or temporary unemployment.

5. Lastly, Peru will continue to support any initiative promoting the matters within the purview of resolution 44/116 J, and it accordingly reaffirms its support for including an item on the question in the agenda of the forty-sixth session of the General Assembly.

PHILIPPINES

[Original: English]

[21 June 1991]

In this regard, the Philippines Government submits that this issue is a matter of national importance and reiterates its full support for the decision to include this agenda item in the forty-sixth session of the General Assembly. This item is essentially in accord with the Comprehensive Conversion Programme formulated by the Philippine Legislative-Executive Bases Council on the alternative uses of military baselands and military camps. Also, the Government is of the view that conversion to more productive civilian purposes of existing but idle military reservation and resources should be encouraged.

UNION OF SOVIET SOCIALIST REPUBLICS

[Original: Russian]

[9 September 1991]

1. The Soviet Union is convinced that the conversion of military production for peaceful purposes is an important and integral part of the process of reorienting the priorities of the development of world civilization towards building a better, safer, more stable and predictable world. It is the practical confirmation of the policy of demilitarizing international relations and reorienting massive destructive power for development and creative purposes.

2. Conversion is inherently linked to disarmament and, in most cases, is a consequence of it. Its nature, rate of implementation, magnitude and prospects are to a significant degree dependent on the intensiveness of efforts to create a political climate conducive to arms limitation and reduction. In turn, progress made in retooling military production for peaceful purposes can stimulate political and social efforts for new disarmament measures. For that reason it is important to strive for the kind of coordination between disarmament and conversion that would not only ensure the irreversibility of curbing the arms race but would also stimulate economic interest in further reducing the level of military preparedness and transferring defence capacity to civilian production.

3. From the beginning of genuine disarmament in the USSR, carried out in accordance with international treaties and initiatives and unilateral decisions, considerable effort has been put into conversion. In December 1990, the State Programme for the Conversion of the Defence Industry and the Development of Civilian Production in the Defence Complex for the Period to 1995 was adopted. It provides for a substantial cut in the proportion of defence expenditure from the national income by the middle of

this decade and for a further increase in civilian production within the military complex as a result of the reduced manufacture of artillery and missiles, armoured vehicles, military aircraft and helicopters and other military technology.

4. This amounts, in essence, to a radical restructuring of the productive capacity of the defence sector and its conversion to predominantly civilian purposes. It has been made necessary by the growing significance today of political, economic, social, ecological and other ways of ensuring national security and the categorical imperative of building a comprehensive structure of international confidence which would make a return to relations governed by military rivalry impossible.

5. The Soviet Union proceeds from the assumption that a reduction in military expenditure and successful conversion at the national level will be encouraged by the development of broad international cooperation in this field, intensive multilateral exchanges of experience, and joint efforts of the international community in a common search for effective ways of solving the social and economic problems which will inevitably arise during the reduction of military-oriented productive capacity.

6. The United Nations can play an important role in encouraging all-round international cooperation concerning conversion since it has accumulated valuable experience from initiatives on disarmament and development and from planning and realizing various conversion measures. Furthermore, it is important to aim at discussing the reorienting of military production for peaceful purposes in the United Nations in close conjunction with the ongoing talks on the whole range of disarmament issues. This approach, which conforms with the principle of meaningful parallels in the progress of disarmament and conversion, would help to determine the conditions and stages for the conversion of the defence industry and to prevent and neutralize possible adverse social and economic consequences of disarmament.

7. The Soviet Union advocates an intensified multilateral dialogue in the United Nations concerning the theoretical content and the methods of application of the principle of reasonable sufficiency, with the aim of elaborating basic criteria and parameters for an exclusively defence orientation of States' military activities including their economic aspects.

8. The United Nations might also consider the problem of economic incentives for disarmament and the problem of devising economic levers to facilitate measures for reducing military confrontation in a more subject-oriented and concise way by concentrating on elaborating and taking practical decisions. In this connection the time seems to be ripe to organize special economic consultations in the framework of the multilateral talks on the reduction of armed forces and armaments.

9. During such consultations, to be carried out on a regular basis, the parties would notify each other of proposed deadlines for, and magnitude of, cuts in military production, discuss the expected economic advantages and

disadvantages of conversion, and exchange experiences of using newly released resources for peaceful development. It should also be possible to consider coordinating the conversion efforts of concerned countries having similar military production structures, including measures to take account of their commercial interests in this field.

10. It seems the time is right for jointly using economic expertise to review draft disarmament agreements; this would involve assessing their feasibility from the standpoint of existing and future socio-economic possibilities and conditions in participating countries, identifying acceptable volumes of and deadlines for planned reductions from the standpoint of a rational conversion strategy, and formulating a list of specific economic needs to be considered for the final version of the agreements.

11. In addition to the consultations on military economic problems, it would seem appropriate to devise a mechanism within the United Nations for helping States adjust economically to a lowering of their level of military expenditure. This would involve a series of measures on the economic adaptation of the defence sector to realistic conversion plans and programmes, including specific steps to find sources to fund conversion projects, create effective demand for their products, retrain and find job placements for the work force, and provide other economic incentives for military enterprises to move in a civilian direction.

12. Some of the elements of such a mechanism could consist of specific United Nations programmes to encourage the conversion of the most important defence-sector technologies. The financing of these programmes and the commercial application of the results of their activities could be accomplished by the creation by concerned countries of international funds and of innovation and investment pools.

13. The Soviet Union supports the broadest possible use of United Nations resources in order to compare various kinds of conversion and to jointly elaborate effective models, taking into account the national particularities of individual countries. This could be facilitated by implementing the proposal put forward by the Soviet Union on setting up, under the auspices of the United Nations, a group of authoritative international experts to take an interdisciplinary look at the broad set of problems involved in setting the military economy on civilian lines with the aim of synthesizing and disseminating the experience of conversion acquired by the various countries and regions.

14. For its part, the Soviet Union, in accordance with the Final Document of the International Conference on the Relationship between Disarmament and Development, which prescribed the continuing study, synthesis and dissemination of international experience in this field, is ready to take the initiative of preparing and submitting to the Secretary-General by the end of 1991 a report on the state of, and prospects for, conversion programmes in the USSR.

15. Inclusion of the theme of conversion in the agenda of multilateral diplomacy would also be helped by regular discussion of its various aspects by the United Nations Disarmament Commission.

16. The socio-economic dimensions of conversion could also be productively discussed by the Second Committee of the General Assembly and by the Economic and Social Council.

17. In the light of recent and current talks on concluding new, large-scale agreements on arms limitation and reduction, it would be appropriate to involve the United Nations Economic Commission for Europe in the work of elaborating regional aspects of conversion on the European continent.

18. It might be productive to involve the United Nations Intergovernmental Committee on Science and Technology for Development in assessing the possibilities of the peaceful use of defence-industry technology and identifying future prospects for international cooperation in this field.

19. Further research into specific aspects of conversion and the preparation of forecasts of their possible consequences could be undertaken by the United Nations Institute for Disarmament Research.

20. In order to develop international cooperation concerning conversion, active use should also be made of the potential of the specialized agencies. In this connection we support the continued study by the International Labour Organisation of the socio-economic aspects of conversion and the formulation of practical ways to integrate the newly released work force into civilian production and to maintain employment levels. In its turn, the United Nations Industrial Development Organization could prepare specific bilateral and multilateral projects concerning the reorientation of military production for civilian purposes.

21. In general, the Soviet Union favours the development within the United Nations system of a broad, multilateral dialogue of a practical nature on the whole range of problems connected with converting military resources for civilian purposes. Conversion, reduced to the level of practical politics in the form of a programme of concrete measures encompassing all the positive experience gathered by the world community, could be an effective means of shaping and strengthening international confidence, overcoming the remaining barriers of economic isolationism and encouraging economic cooperation between States.

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DEVELOPMENT AND INTERNATIONAL ECONOMIC COOPERATION:
TRADE AND DEVELOPMENT

Progress in the implementation of specific action related to the particular needs and problems of land-locked developing countries

Note by the Secretary-General

1. In its resolution 44/214 of 22 December 1989, the General Assembly, reiterating the importance of the specific actions related to the particular needs of the land-locked developing countries, welcomed the report of the Secretary-General of the United Nations Conference on Trade and Development (A/44/588, annex) and requested him to prepare another report on the topic, taking into account the provisions of the resolution, for submission to the Assembly at its forty-sixth session.

2. In pursuance of that request, the Secretary-General has the honour to transmit to the Assembly the report of the Secretary-General of the United Nations Conference on Trade and Development (see annex).

ANNEX

Progress in the implementation of specific action related to the particular needs and problems of land-locked developing countries

Report by the UNCTAD secretariat

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I. INTRODUCTION

1. The international community continues to view with deep concern the particular problems faced by the land-locked developing countries linked to their geographical handicaps. Not only are they land-locked but many of them also figure among the least developed countries - their economies are clearly vulnerable to trade imbalances. Although the difficulties of being land-locked permeate every aspect of the development process, their impact on the evolution of external trade is particularly severe (see appendix tables 2 to 5). The additional transport costs that land-locked countries must bear constrain export development, since this burden limits the range of potential exports and markets in which goods can be competitively and profitably traded. The price of imports tends to soar owing to high transport costs. Lower export earnings and increased costs of imports tend to have an adverse effect on the terms of trade of land-locked countries. Indeed, it may be assumed that these countries will generally be the hardest hit under the mounting pressures of the worsening terms of trade for the developing countries as a whole. Furthermore, the fact that land-locked developing countries may be required to pay for transit services in foreign exchange negatively affects their balance of payments.

2. It is in this perspective that the General Assembly and the United Nations Conference on Trade and Development (UNCTAD) have continued to reiterate their appeal for increased financial and technical assistance to these countries. In order to mobilize such assistance it is essential that the awareness of the distinct nature and evolving dimension of the particular problems of land-locked developing countries be further fostered. Accordingly, in its resolution 44/214, the General Assembly welcomed the report of the Secretary-General of UNCTAD on progress in the implementation of specific action related to the particular needs and problems of land-locked developing countries submitted at its forty-fourth session and requested him to prepare another report for submission to it at its forty-sixth session.

3. The present report has been prepared in response to that request. Addendum 1 to the report was prepared in accordance with paragraph 12 of Conference resolution 137 (VI), in which the Secretary-General of UNCTAD was requested to keep under constant review the progress in the implementation of specific action related to the particular needs and problems of the land-locked developing countries, as set out in that resolution, as well as in Conference resolutions 63 (III), 98 (IV) and 123 (V). The contents are based on the replies received from Governments, international organizations and intergovernmental organizations, as well as on UNCTAD's own work on the development of land-locked countries.

II. CONCLUSIONS AND POLICY RECOMMENDATIONS

4. During the 1980s, land-locked countries had pursued three basic objectives with regard to transit transport. Firstly, they had sought to reduce the costs of transit transport through investment in facilities and

measures to improve the quality of operational services in transit transport corridors. Secondly, they had sought where possible to diversify their transit routes and to reduce dependence on the facilities of a single coastal country. Thirdly, they had promoted the development of their indigenous international transport services sector. These efforts have sometimes, as in southern Africa, been supported by international assistance and coordinated on a regional basis. Where they have been founded on cooperative relations between land-locked and coastal countries, major improvements have come about in the transit transport situation. In some coastal countries, complex, clumsy documentation procedures and security systems have been replaced by a simple transit pass, a "carnet" for transit transport, along with thorough and proper sealing of consignments in transit. A regional approach that promotes the integration of transport infrastructure, ensuring port capacities and facilities sufficient to meet the needs of both land-locked and coastal countries, and furthers inter-railway agreements through regular meetings, has been successfully elaborated through the work of the Southern African Transport and Communications Commission (SATCC). A novel institutional mechanism which coordinates international transport on a corridor basis and which combines public and private sector involvement has also been devised for the Beira Corridor linking Zimbabwe and the Mozambican port of Beira.

5. While progress in such instances has been made, there are generally still major deficiencies in the overall transit transport systems, which mean that producers and consumers in land-locked countries are more adversely affected by the uncertainties of transit transport than is necessary. Major issues which require attention are briefly recapitulated below.

6. The deterioration of transport infrastructure is a general problem that affects land-locked and coastal countries in Africa, Asia and Latin America. It is associated with the fiscal crises that accompany economic recession, seriously undermining the financial capabilities of Governments to maintain facilities. This is compounded, inter alia, by lack of organizational capabilities, a misallocation of funds between new construction and maintenance; and overuse of facilities, particularly roads. The latter is largely owing to inadequate enforcement of laws regarding truck loading or simply because old facilities have come to the end of their design life. Therefore, special attention will have to be given to the maintenance of existing facilities and to their effective utilization. Development budgets should more deliberately focus on the provision of spare parts, tools and building materials so as to keep up a high level of maintenance of existing facilities for their better utilization. In some land-locked countries, the maintenance burden is simply so great that there will be a need for external financial assistance.

7. It is, however, not enough to maintain transit transport facilities. With major changes occurring in the organization of international transport on a global scale, new investments must be made, particularly with regard to containerization since very frequently inefficiencies in transit corridors result in longer transit times, which in turn mean that container turnaround times required by shipping lines cannot be ensured. Facilities for handling

containers also need to be extensively built up. Communications facilities are required to facilitate advance knowledge of transport service availabilities and to ensure smooth and speedy transit.

8. Both coastal and land-locked countries adopt protectionist measures, which hamper trade in transit transport services at a regional level and increase the costs of transit transport services. Protectionist policies, usually administered through a permit system or an allocation procedure, apply particularly to road transport services. For land-locked countries, such policies have been seen as a way of increasing the local multiplier effects, in terms of both income and employment, of saving foreign exchange, and of reducing vulnerability to transport shocks. For coastal countries, such policies enhance incomes and employment and provide particular benefits for the road haulage lobby. But the increased costs associated with protectionism decrease the total volume of transit traffic and thus, while supporting sectoral interests, are counter-productive. In general, liberalization of trade in transit transport services at a regional level is an important goal, which sets a framework for free competition in the transit transport industry and ensures a higher quality of services at reduced cost.

9. In order to encourage more efficient transit transport systems, some institutional arrangements have been promoted within the framework of regional transit regimes. These regimes, to which both land-locked countries and transit countries adhere, are based on agreed sets of rules governing the passage of transit traffic. They are particularly important for land-locked countries. Despite agreement on transit regimes, often they are not implemented in practice, however. In some regions, transit States, rightfully exercising full sovereignty over their territory, have sought to ensure that the rights and facilities provided for land-locked countries do not infringe on their own legitimate interests. This has sometimes led to the imposition of tight and time-consuming security systems to prevent smuggling, for example. In some regions, economic recession and other financial pressures have meant that the problems of land-locked countries' transit traffic are neglected as being low on the list of priorities. The spirit and intent of subregional and regional agreements thus loses momentum and economic significance.

10. It is important that subregional and regional working arrangements be founded on the fact that they can benefit both land-locked countries and coastal transit countries. There is a need to recognize, and make transparent, both the benefits and costs to coastal transit countries of transit traffic in such arrangements. Furthermore, the establishment of transit regimes on a bilateral (corridor) basis or on a regional basis should respect the principles of non-discrimination and cost-effectiveness. It is also important that in instituting cooperation arrangements, a pragmatic approach, focusing on specific tasks and particular projects, be adopted because it is likely to be more viable. Such an approach also offers a more adequate planning framework for achieving the long-term objective of establishing effective overall regional economic groupings. The work of the Southern African Development Coordination Conference (SADCC) is an example in this regard.

11. The cost implications of many intercountry transit transport investment projects are often of such a magnitude that the countries involved cannot bear the burden alone. External assistance by donor agencies should therefore continue to serve as a catalyst by supporting programmes that promote cooperative arrangements. The programmes of the Transport and Communications Decades in Africa and for Asia and the Pacific have been making important contributions in this direction. Available data, however, indicate that official development assistance commitments to all land-locked developing countries earmarked for the transportation sector still constituted only around 10 per cent in 1989. Donor agencies, in supporting these programmes, should also take into account the particular adverse circumstances of the land-locked countries and apply deliberately concessional and flexible criteria in their funding policies.

12. The ratification and implementation of international conventions related to transit transport remain a valid mechanism. Adherence to such conventions provides a framework for resolving many bilateral and subregional conflicts affecting transit transport operations. Donor agencies should, where feasible, also use their influence to ensure that the transit transport programmes they support take into account the safeguards embodied in existing international conventions such as the United Nations Convention on the Law of the Sea, the 1965 Convention on Transit and Trade for Land-locked States and the Customs Convention on Containers of 1972.

13. Land-locked countries should adopt development strategies that maximize economic linkages among and between various economic sectors as part of the longer-term effort to reduce the disadvantages inherent in their geographical location. It is important in this connection that land-locked countries seek ways of increasing local value added before export. Export priorities should concentrate on elements where the multiplier effects are greatest. Cost implications of the current very low export levels are such that these countries cannot take advantage of low backhaul transport charges because of the extreme unidirectional imbalance in transit traffic of land-locked countries, with import volumes far exceeding export volumes. Furthermore, greater support should be given to projects geared towards local production of high-value, low-bulk exports and the import substitution of low-value, high-bulk products.

14. Transit transport facilities can be more effectively utilized by improving the managerial capacity and skills of the personnel involved in transit operations. It is therefore necessary to carry out more detailed surveys to identify the specific training needs in each country at the different levels. The training programmes should include the training of instructors and the provision of training materials. Where training requires foreign experts, it would be desirable to team them with local counterparts so as to ensure a smooth transition to a self-reliant manpower development path.

III. CURRENT TRANSIT TRANSPORT SITUATION

15. The activity of providing transit transport services is a complex one. It depends on a range of actors, both private and public, and includes nationals of land-locked countries and non-nationals. The supply of transit transport services requires: (a) physical infrastructure (roads, railways, port installation, warehouses, etc.); (b) telematic infrastructure (facilitating transborder data flows); and (c) a range of services associated with the physical movement of goods (freight haulage, clearing and forwarding, insurance, packing, and financing). Part of the physical infrastructure is "embedded in the land" on the territory of transit countries. The essence of the transit transport problem of land-locked countries is that they have no sovereign access to the sea.

16. This situation poses a number of difficulties. The transport policies of the neighbouring coastal countries are quite naturally aimed at furthering their own domestic interests. Transit transport is logistically complex. This is so because of the long distances to be traversed - over 1,000 kilometres for 11 of the land-locked developing countries (see appendix table 1). In addition, transit through foreign countries creates further organizational problems. Various delays can arise as transit countries quite legitimately seek to assure their security interests. While hinterland regions in coastal States may be remote from ports and expensive to reach, at least their transportation problems are not compounded by the political and administrative hurdles that can arise in transit passage through a foreign State. The current transit transport situation facing land-locked countries varies by corridor and by region, but certain common problems may be identified.

A. Southern Africa

17. The southern African region includes six land-locked countries - Zambia, Zimbabwe, Malawi, Lesotho, Swaziland and Botswana. The ports which should be available for transit traffic are: Durban, Richards Bay, Port Elizabeth and Cape Town (all in South Africa); Maputo, Nacala and Beira (in Mozambique); Dar es Salaam (United Republic of Tanzania); and Lobito (Angola). Because of the political situation in southern Africa, the port of Lobito has been closed since 1975; since the early 1980s the Mozambican ports have usually also been closed; the corridors leading to the latter are under constant threat of attack by insurgents. The Maputo line from Zimbabwe and the Nacala line from Malawi are presently being rehabilitated and reopened, but progress is slow.

18. In the late 1980s, Zambia pursued a policy of shifting transit traffic away from South Africa. About 85 per cent of the main export - copper - was transported via Dar es Salaam and 15 per cent via Beira in 1988. This policy has, however, been achieved only at high economic costs. A major problem for importers and exporters in Zambia has been congestion in the Dar es Salaam Corridor. The congestion is manifested in long transit times. Copper transported by rail from the Copperbelt to Dar es Salaam was taking 32-36 days

in April 1989. At that time 37,000 metric tons of copper was in transit between the mines and the port. For imports transit, delays were even longer. A sample of 400 containers imported by two major freight forwarding companies between June 1988 and March 1989 showed that the average transit time from the date the ship arrived in Dar es Salaam to the date the container reached Lusaka was 77 days for consignments carried by rail, and 51-53 days for consignments carried by road. Of this time, 43 days was spent in the port after the ship's arrival. One of the causes of the congestion in the Dar es Salaam Corridor was inefficiency in port operations. Now the situation in this regard has improved considerably. Capacity constraints remain on the TAZARA railway, and there are severe operational difficulties in Zambia Railways. The latter are associated with foreign exchange constraints, a critical shortage of locomotives, unmaintained track, and problems of managing a railway system with a strong unidirectional imbalance in traffic flows. Congestion had also been compounded by the seasonal bunching of arrivals of bulky imports (especially fertilizer, wheat and maize).

19. More than 95 per cent of Malawi's export and import traffic used to go through the ports of Beira and Nacala in Mozambique, mainly hauled from there by rail. In 1982-1983, insurgency activity forced closure of these routes, and traffic had to be diverted via South Africa. The shortest route to Durban (South Africa) is 2,500 kilometres. It entails passing through three other countries. In 1987, some 550,000 metric tons (63 per cent of all Malawi's imports and exports) was transported by this route, with insurgents sometimes disrupting the Tete Corridor leg of this route, requiring a further detour through Zambia thus adding 1,177 kilometres to the journey. An important development for Malawi has been the opening of the "Northern Transport Corridor" through the port of Dar es Salaam. This $US 113 million investment project has entailed rehabilitation and improvement of roads in the United Republic of Tanzania and Malawi, construction of Malawi cargo centres at Dar es Salaam and Mbeya for handling dry cargo and fuel, procurement of tank wagons and tank containers, acquisition of a container vessel to provide a regular service between Chilumba and Chipoka ports on Lake Malawi, and upgrading these ports to achieve an efficient container- and fuel-handling capacity.

20. Botswana, Lesotho and Swaziland are almost entirely dependent on ports in South Africa for their trade routes. For Lesotho, which is completely surrounded by South Africa, this is inevitable. For Botswana, the southern part of the country is closest to ports in South Africa, and these are ports used for the main overseas exports (beef and copper-nickel matte). Botswana's main export, diamonds, is air-freighted. Swaziland, like other countries in southern Africa, has experienced major disruptions in its transit traffic since the early 1980s. At that time, Maputo was the port used for about 67 per cent of the country's overseas imports and exports. By the late 1980s, the only commodities using the port were bulky, low-value goods being shipped on a limited scale - some of Swaziland's sugar and coal. Other exports, including pulp and also some new manufactured exports, such as decorative timber shelving, were being exported via South Africa. The Swaziland sugar industry has sustained heavy financial losses because of increased diversions

of sugar exports away from Mozambique. Zimbabwe's transit traffic passes through ports in South Africa: Maputo and Beira. The Beira Corridor has been kept open with army protection. A novel institutional mechanism for coordination of transit traffic in the Beira Corridor has been set up - the Beira Corridor Authority and the associated Beira Corridor Group - which is working well.

21. The Southern African Transport and Communications Commission (SATCC) has formulated an investment programme of over $US 4 billion; aid commitments have helped to rehabilitate railway lines and ports, easing capacity constraints on the transit system. However, the transport system of South Africa has been highly regulated; preference is given to traffic on railways, thus effectively excluding foreign road hauliers. Changes occurring in the road permit system are opening some new opportunities for the road haulage sector in Botswana, Swaziland and Lesotho, although the standards required in the new licencing system mean that vehicle management and driving skills will need improvement. These countries have also made major efforts to build and expand their indigenous road haulage industry.

B. East-Central Africa

22. The transit routes used by Uganda, Burundi and Rwanda focus on the ports of Mombasa and Dar es Salaam. The distribution of traffic between the routes had varied throughout the 1980s, as transporters and Governments responded to changing conditions and the problems associated with the civil strife in Uganda, the political conflict between Burundi and Rwanda, and the periodic political tensions between Uganda and Kenya. A major aim of the Governments of the land-locked countries has, therefore, been to diversify transit routes in order to provide transit security. With regard to transit regulations, all transit goods in the Northern Corridor linking the land-locked countries with the port of Mombasa have to be transit bonded. Depending upon the commodity, the bond can add 1 to 2 per cent of c.i.f. (cost insurance freight) value to the cost of transit. The fact that goods have to be transit bonded in each country means that the potential benefits associated with the introduction of a harmonized Road Customs Transit Declaration (RCTD) are not being realized. This had been a major outcome of the Northern Corridor Transit Agreement achieved with the help of UNCTAD. Clearing and forwarding (C/F) agents estimate that it takes 24 or 25 different stamps on documents and 10 to 12 days to clear goods out of the port ready for onward transit, while it should take only two days.

23. Within the Central Corridor linking the land-locked countries with the port of Dar es Salaam, transit goods are carried under a transit pass which is cancelled when goods leave the United Republic of Tanzania, and transit containers are not opened or inspected at Dar es Salaam. Efficiency at the port also increased in the late 1980s. The major problems in the Central Corridor routes are: (a) the urgent need for rehabilitation of road and rail infrastructure and extra storage facilities for containers at the port, and (b) there are capacity constraints which limit the effectiveness of Tanzania

Railways Corporation (TRC). TRC has, for example, only 30 specialized wagons to carry containers. In terms of infrastructure, many projects are in place to rehabilitate and upgrade roads, railways and terminals. The European Community is considering the provision of transit block trains for the transit traffic in the Central Corridor. The maintenance of infrastructure is of major importance. For roads, overloading of trucks is all-pervasive. The imposition of axle load limits will help.

C. West-Central Africa

24. Mali has three main transit transport routes. The two most important are a rail line from Dakar to Bamako and a road from Abidjan. The third route is by road from the port of Lomé, through Burkina Faso. Both Abidjan and Dakar are considered to be efficient ports, but customs procedures continue to be slow in Abidjan, and coordination problems between the parastatals (Entrepôts Maliens - established to act as transit facilitators and storage depots) cause further delays. By the late 1980s, improved coordination between the national railway companies of Mali and Senegal, and new rolling stock and motive power had improved the efficiency of the rail route from Dakar, but tariffs remained relatively high. For international traffic, Senegalese rates have been almost 10 times higher than those charged in Mali. On the road route from Abidjan, trucks have to negotiate as many as 25 unauthorized road blocks, which consumes time. Côte d'Ivoire has not implemented the TRIE (Transport routier inter-etats) Convention which, like the European TIR (Transport International Routier) system, consists of a "carnet" exempting the bearer from a physical check at the border post. Instead, there is a cumbersome documentation procedure. Truck tariffs are set by government decree. In the late 1980s, official rates were below variable costs. Truckers, partly as a consequence, overloaded their vehicles, leading to higher fuel consumption, faster road deterioration and greater wear and tear of vehicles. Furthermore, all transit trucks must travel in convoy with an escort. Current policy is based on a bilateral convention signed both by Mali and Côte d'Ivoire in 1975 which stipulates that two thirds of the traffic by tonnage should be carried by Malian truckers, and one third by Ivorian truckers. This policy has had a restrictive impact on free competition and thus on the quality and cost of services.

25. Burkina Faso currently uses three main transit transport routes - Ouagadougou-Bobo-Dioulasso-Abidjan by rail; the same route by road; and Ouagadougou-Lomé by road. Of the transit traffic, increasing proportions have, throughout the 1980s, been carried through Lomé (44 per cent). Rail transport accounts for 50 per cent of Burkina Faso's international traffic. Transit times to Burkina Faso for imports from time of arrival in port are 11 days via Lomé, 18 days via Abidjan by rail and 17 days via Abidjan by road. The port, railway, and road infrastructures are generally in good condition. There are no capacity constraints, but there is some need for investment in infrastructure which would facilitate the logistics of transport - such as container terminals and storage areas. Competition between the corridors acts to keep costs down. Container traffic is growing

and Abidjan is better equipped to handle it. More regular shipping lines also stop at Abidjan.

26. There have been management problems in the rail route from Abidjan since the management of the railway line was split into two separate national components. The same delays affecting road transport to and from Mali also apply to Burkina Faso's traffic. The "Conseil Burhinabé des chargeurs" (CBC), which is represented both in Abidjan and Lomé is responsible for regulating the transit traffic operations through the two ports. The CBC has a comparatively good performance record, particularly in coordinating the various functions of all the actors involved in transit operations.

27. Niger has three major transit transport routes: (a) the route from Cotonou by rail to Parakou and thence by road to Niamey and other destinations in Niger, (b) the route from Lomé by road to Koupéla in Burkina Faso and then eastward to Niamey, and (c) the route via Sokoto to Lagos. The last route is shorter for Eastern Niger than the Cotonou route. Of the transit traffic, 67 per cent is transported via Cotonou, 23 per cent via Lomé, and 10 per cent via Lagos. The port railway and road infrastructure is now generally in good condition with the capacity to meet traffic needs in the immediate future. Some sections of the road parallel to the railway through Benin, however, need a bitumen surface. At present, only refrigerated trucks are allowed to go from Cotonou to Niamey direct. Journey times are not unduly long. Customs procedures in both Benin and Togo do not usually hold up the goods for more than two or three days. In 1987, Burkina Faso, however, suddenly imposed a 4 per cent guarantee bond, which affected high value imports in particular. Furthermore, there has been a widespread practice of vehicle escorts and many unwarranted stoppages of trucks along the roads. Transit through Nigeria is hampered by the absence of a satisfactory working agreement with the Nigeria Federal Government on transit traffic. Overall there has been a major unidirectional imbalance in Niger's transit traffic through both Cotonou and Lomé.

28. Chad has virtually only one route to the sea - through Cameroon to the port of Douala, by road or a combination of road and rail. While there are other potential routes through Nigeria, there is no transit agreement between Chad and Nigeria and certain types of traffic are prohibited. The road infrastructure along the corridors is in need of significant improvement. The main constraints on traffic are delays in the port of Douala, repeated official and unofficial stopping of vehicles on the road in Cameroon, and time-consuming documentation procedures. Transit times from arrival in Douala port are estimated to be 30 to 53 days for combined rail/road transport, and 29 to 53 days for road only transport. In September 1989, a national freight office (Bureau national de frêt) was established to regulate transit operations. It also has a statistical and tax-collecting role. The greatest weakness of Chad's present position is, however, its virtual dependence on a single route.

29. The Central African Republic is served by two principal overland transit routes. The traditional transit route is the trans-equatorial route, a

rail/river route via the port of Pointe Noire. This involves river transport for 1,300 kilometres over the Oubangui and Congo rivers to Brazzaville and then by rail to the port. The second route is by road, or rail and road to the port of Douala in Cameroon. On the Douala route there are no serious physical constraints. The railway to Belabo and Ngaoundéré has ample line capacity, but there are deficiencies in transhipment facilities at Belabo. Roads are in good to fair condition, but there are some main roads in eastern Cameroon which require enhanced maintenance. On the Pointe Noire route, the Oubangui River is a serious physical constraint. Navigation is closed for four months of the year, from February to May, and restricted for two months after this period. Water levels on the river have been declining and this trend is expected to be aggravated by the construction of a power dam over the Zairian portion of the Oubangui River at Mobaye. There are operational problems on both routes which result in long journey times. Clearing customs at the seaport takes 20 to 40 days in Douala and 5 to 10 days in Pointe Noire. The average transit times by the Douala route is 28 to 63 days (road/rail) and 27 to 62 days (road only), and by the Pointe Noire route it is 24 to 36 days. On the Douala route, there is also the additional requirement that vehicles must have escorts.

D. Asia

30. The land-locked developing countries of Asia are Afghanistan, Bhutan, Lao People's Democratic Republic, Mongolia and Nepal. The major corridors for trade and transit transport used in the past for Afghanistan have been: (a) through the USSR by using the northern ports of Hairaton, Sherkhan Bander, and Turghundi, all linked by the Soviet Union railway network to their western, northern and eastern sea ports; (b) through Iran by railway from the Iranian border to the Persian Gulf ports of Bandar Abbas, Bandar Shaheur and Khorramshar - this route also affords direct road access through Turkey overland to Europe; (c) through Pakistan by the port of Karachi linked by railway to the Khyber Pass road to Peshawar and the south-east road to the border point of Chaman where the goods are transported by trucks to Afghan border points. Owing to the political difficulties which exist between Afghanistan and Pakistan and the inadequate infrastructure and services along the route to the sea, there are now a number of problems with the use of the port of Karachi, in particular congestion and shortage of wagons for carriage of Afghan imports and exports.

31. Most of Bhutan's imports and exports are with India. Third-country exports, mainly fruit, are transported to Bangladesh; in future there may be shipments to Thailand. Good relations exist between the Indian and Bhutanese authorities, and both imports and exports flow smoothly without unduly long delays.

32. The two principal ports used by the Lao People's Democratic Republic for international trade are Bangkok (Thailand) and Da Nang (Viet Nam). Generally trade with the former Council for Mutual Economic Assistance (CMEA) countries passes through Da Nang and with other countries through Bangkok. For cargo

transiting through Bangkok, the most significant delays occur with import cargoes in the port. Port of Bangkok procedures require that goods first be delivered to general customs storage areas and then subsequently to bonded in-transit warehouses. Substantial storage and demurrage charges are therefore incurred. Cargo is stored until it is reloaded on to Thai trucks or the railway for Bangkok. Transit through Viet Nam has been difficult because of the poor condition of east-west roads as a result of user damage. Although repairs to the route linking the port of Da Nang to the southern region of Laos have been completed, the movement of goods along this route and through central and northern Laos is still hampered by poor roads and the fact that navigation on the river route is restricted for three to four months of the year. There are also serious shortages of experienced managers and skilled technicians.

33. The overwhelming proportion of Mongolia's exports and imports are with neighbouring China and the USSR. Transit traffic is carried by rail through Ulan-Ude to the Trans-Siberian line where goods are moved eastward to the port of Nakhodka, a total distance of about 4,650 kilometres, or westwards to the port of Leningrad, a total distance of 6,450 kilometres. The alternative route is through China where the closest port is Tien-tsin, 1,600 kilometres away. Goods must be transshipped at the border because Mongolia has a different railway gauge than China. Improved facilities are also required.

34. The trade and transit treaty between India and Nepal provides the framework for the regulation of the movement of the bulk of Nepal's transit cargo to and from third countries. Nepal experienced transit difficulties when the old trade and transit treaty expired in March 1989. However, in June 1990, the two Governments agreed to restore, as of mid-1990, the status quo ante to 1 April 1987, relating to the movement of goods in transit through India to and from Nepal pending the finalization of new arrangements. Transport costs incurred by Nepal, however, continued to be particularly high as road is the main mode of transport, partly owing to the fact that goods have to be transferred between medium and narrow gauge railways en route. Generally, the cost of moving transit cargoes within Nepal is higher than expected, owing to the poor condition of the vehicle fleet, the absence of vehicles with more than 10-ton capacity, the poor state of road maintenance and the under-utilization of the Hetauda to Kathmandu ropeway. A project to improve the border facilities and upgrade management and training has been prepared for financing by the World Bank. Most of the trucking between Calcutta port and Nepal is handled by Indian transporters. They have ample capacity and are allowed to pick up backhauls of freight within India.

35. Air freight has become important for Nepal. The volume of air freight handled at Tribhuwan International Airport was 7,700 metric tons of exports (mainly carpets and clothing) and 7,800 metric tons of imports (mainly high-value goods) in 1988. The major bottleneck for exports is the transfer of goods by customs vehicles from warehouses to cargo hangers where loads are prepared by the various airlines for each flight. For imports, customs clearance is a major bottleneck. An Airport Master Plan has proposed new facilities, especially for storing and retrieving cargoes.

E. Latin America

36. The main ports used by Bolivia's overseas trade are Santos in Brazil, Rosario and Buenos Aires in Argentina, Arica and Antofagasta in Chile and Matarani in Peru. The port of Ilo, with road access, is seldom used because of regular interruptions during the rainy season. The Paraguay River, which touches the Bolivian frontier in the south-eastern corner of the country at Puerto Busch, is a potentially important international route for goods transport. This route would be considerably cheaper than the alternative road or rail. However, at present, the volume of Bolivian traffic using the river is small. More than half of Bolivia's transit traffic passes through the Pacific ports, mostly with access by rail, partly because of the general unreliability of road transport and partly owing to the definite advantages which rail offers on such long hauls. Less than one third of the road surface to Arica and less than one sixth of the road to Antofagasta is paved. Air transport is of growing importance, and in 1988 about 57 per cent of Bolivia's exports to the United States of America (in value terms) was by air. As part of the international effort to promote greater understanding of the particular needs and problems of land-locked developing countries, the Center for the Study of International Relations and Development (CERID) based in La Paz, Bolivia, has prepared a project to be funded by the Group of 77. Its objective is to carry out an in-depth review of the actions taken by the international community in favour of these countries. The project is being executed by the Office of the Chairman of the Group of 77 under the UNDP Government execution procedures.

37. Most of Paraguay's overseas trade is via Buenos Aires. The Parana and Paraguay rivers are also used. There is a problem of shoals on the upper reaches of the Paraguay river, near Asuncion, particularly during the period November to February. This hampers the navigation of large ocean freighters and often limits small river boats also. Inadequate night signalling facilities along the river are also a problem. Although transit facilities in Latin America are more developed than in the African and Asian regions, a major problem for the Latin American land-locked countries is the inefficiency of ports. Management problems, and the poor response to the need to introduce innovations in cargo-handling, have adversely affected past performance.

IV. SPECIFIC PRIORITY AREAS FOR ACTION AND ASSISTANCE

38. In designing action and assistance programmes to reduce the transit-transport problems of land-locked countries, certain general principles must be followed. Firstly, to be effective, programmes must take into account the requirements of importers and exporters. Businesses engaged in international trade view transport as a logistics problem intimately linked to their production and marketing schedules. Transport costs are, of course, an important consideration for sustainable trade, but critical service standards are also relevant, particularly: (a) speed of transit - average transit time, shipping frequency, loading rates in port; (b) certainty of transit - transit time variability, protection from pilferage, damage and

contamination; and (c) control of transit - reliability of information about conditions in port, ease of communications, probability of unexpected problems (e.g. electricity failure), and capacity to resolve problems if they arise. Import and export businesses also view the whole transport chain in a systemic way; thus ocean shipping and overland transport are considered together.

39. Secondly, it is important that programmes be flexible, in the sense that they are responsive to change. At present, there are major innovations occurring in the organization of international transport, and it is vital that the land-locked countries take advantage of the new opportunities that these changes create. The most important changes are those associated with containerization and improved communications. It is in these areas where investment in new facilities is urgent. Human resources development is also a critical factor in the adaptation process.

40. Thirdly, to be acceptable, programmes must recognize the interests of both the land-locked and the coastal transit countries. For the latter, transit traffic can bring important economic benefits. For example, in 1987, Kenya's revenue from transit traffic was in the order of $US 80 to 95 million, equivalent to 45 per cent of the value of Kenya's tea exports; Tanzania's revenue from transit traffic was $US 29 million. Mali's transit traffic was estimated to have generated $US 30 million for transit countries in the late 1980s. At the same time, transit traffic entrains costs for transit countries. Inevitably there is the cost of usage of transport infrastructure. Action and assistance programmes must take into account the interests of both land-locked and coastal countries, as transit-transport policy requires cooperation. Fourthly, to be sustainable the action and assistance programmes must include the development of financial and institutional capacities for maintenance. Without maintenance, the benefits of investment programmes quickly fade.

A. Road transport

41. Road transport is of increasing importance as a mode of transport for the imports and exports of land-locked countries; it is particularly vital if new high-value exports are to be developed. The organization of transit transport by road poses particular difficulty. The question of vehicle user charges is hard to resolve within just a single country. It becomes particularly complex when vehicles from one country are using another country's infrastructure. A range of road user charges is normally set on international traffic carried by non-national hauliers. These include road service licences/permits, entry fees, foreign commercial licences, transit goods licences and road tolls. Such charges may be subject to sudden alteration and normally bear little relation to actual costs. a/ Ideally, user charges should be related to the costs associated with the use of roads; revenues realized from payments made by transit traffic should go to maintain and improve the respective highways so as to minimize vehicle operating costs; no other charges should be imposed on transit traffic. This approach is the one advocated by the Preferential Trade Area (PTA) for East-Central and southern Africa.

42. Alongside efficient and equitable transit tolls, it is necessary to establish axle load restrictions with appropriate enforcement mechanisms. At present, road deterioration is accelerated by widespread overloading. Axle load restrictions often exist, but are circumvented through informal payments to enforcers, splitting of loads between vehicles before weigh points, use of minor roads to avoid weigh-bridges and political pressure from the trucking lobby.

43. Another area of action in road transport concerns protectionist measures which both land-locked and coastal countries have used to develop their international road haulage sectors. Protectionist measures are evident in unilateral decisions to use road permit systems to disallow road hauliers of land-locked countries operating in coastal countries, and vice versa. They are also evident in bilateral transit agreements, such as those in the Sahelian zone, in which transit traffic by road is allocated between road hauliers from the land-locked and coastal country on a strict ratio. There is also a strong temptation for governments of land-locked countries to use an array of regulatory mechanisms to protect and develop a national road haulage sector. If routes through an alternative country exist, the land-locked country is then not dependent on one coastal country. This improved security and reduced vulnerability to transport shocks can only be gained at a cost, however. Protectionist policies are likely to engender retaliatory measures. It is important that both land-locked and coastal countries encourage the liberalization of trade in road transport services. Ideally action to achieve this should take place within the framework of regional cooperation agreements. This issue is further discussed below under section H on institutional arrangements.

44. A final problem area associated with road transport is security. The transit country has the right to ensure that transit goods are not diverted for use in the transit country, and to impose reasonable requirements to secure this. For road transport, this is more difficult than in the case of rail transport, as the former is often undertaken by private sector operators or many operators rather than a single national railway authority. Unfortunately, solutions, such as requiring lorries to be escorted in convoys, may create costly delays. Transit bonds are often posted when goods are conveyed by non-government transport. There is no ideal answer to the problem. However, it is important that coastal and land-locked countries work together to establish regional or corridor transit regimes in which security regulations are not excessive and not used to slow down transit traffic. Action on documentation and procedures will be valuable (see section F below). Also, the potential advantages of containers, which can move from port to destination under customs seal, need to be recognized and realized.

B. Rail transport

45. For rail transport, locomotives, rolling stock, tracks and other physical infrastructure are usually under single ownership and management, usually an agency of the national Government. The past 30 years has also seen the

monopolistic position of railways threatened by the development of road transport. The flexibility and speed of road transport has meant that it can usually capture much of the traffic except long distance haulage and bulk freight, unless the rail system is protected. With the development of road transport, many railways have run at a deficit. Furthermore, in countries lacking foreign exchange, their operational performance has declined as necessary maintenance has not been undertaken, and provision of spare parts has not been timely. There have also been managerial difficulties. These problems have affected the rail transit traffic of land-locked countries. Moreover, as railways are normally national authorities, there have also been the additional problems associated with establishing inter-railway agreements, covering working practices, hire and interchange arrangements for rolling stock and other equipment, and through-booking arrangements resulting in reciprocal collection of railway charges. These problems of inter-railway cooperation have been particularly acute in certain situations, such as in Burkina Faso and Côte d'Ivoire, Senegal and Mali, and Zambia and Zimbabwe, where a railway formerly run under a single authority has been divided into two organizations. Inter-railway cooperation may be encouraged through regular meetings, as is happening under the auspices of SATCC in southern Africa. A significant action which can both improve the quality of the service provided by railways and also promote information exchange is the establishment of information systems for tracking wagons and freight. The Advance Cargo Information System (ACIS) being developed under the UNDP/UNCTAD Transit Transport Projects is an effort in this direction. b/

46. Improving the service of the railway requires: firstly, rehabilitation of track and, sometimes, the provision of new equipment; secondly, managerial reforms and promotion of a commercial outlook; thirdly, timely allocation of foreign exchange to allow purchase of spare parts; and, fourthly, innovations which improve the service, such as border-crossing facilitation through the operation of one single, rather than two, marshalling yards at border points. The operation of block (or unit) trains also provides a means of improving service. Such block trains can be established when the railways authority and customer (or freight forwarder) enter an agreement which commits the customer to provide constant traffic volumes and efficient handling of cargo at unloading and loading points, and which commits the railways authority to supply a consistent service.

C. Ports and storage facilities

47. For goods being imported to land-locked countries from overseas, ports are often a critical bottleneck in the transport system. They can greatly increase the total transport time from origin to destination. The high dwell times of goods at ports are the result of: (a) inability of importers to raise the foreign exchange to pay for port charges and transport charges, particularly during periods of sporadic devaluations of currencies; (b) bureaucratic delays in processing documents and clearing customs; and (c) port congestion. The efficiency of port operations depends on good management by port authorities and also adequate infrastructure. In some

ports used by land-locked countries, facilities are dilapidated owing to inadequate maintenance; port operations may be inefficient. Action is required to rehabilitate and improve ports so that they can cope with modern technological changes in shipping. This is vital for both land-locked and coastal countries. For land-locked countries, it is helpful if action is taken to establish special storage areas or warehouses in ports. The location of storage facilities needs careful consideration, as an unfortunate choice might result in unnecessary handling of goods.

48. An important trend affecting world-wide shipping is the development of larger and larger container vessels, along with larger containers. One effect of this trend is that port equipment quickly becomes obsolete. A second effect is that the large vessels call at fewer ports. This is leading to a costly phenomenon whereby some ports are emerging as hubs in the international transport system; goods are then transshipped to and from other smaller ports. This trend will affect land-locked countries. Measures which direct importers and exporters to use particular ports are likely to be economically counter-productive. To take full advantage of developments associated with containerization, it would be beneficial in some cases if action were taken, and assistance given, to develop dry ports. c/ A dry port is an inland terminal to which shipping companies issue their own import bill of lading for import cargoes and from which they issue their own bills of lading for export traffic, assuming full responsibility of liability while the goods are in transit. The use of such a through bill of lading simplifies procedures and reduces costs. However, for some land-locked countries, the efficiency of transit transport systems is so low that the container turnaround time required by shipping lines cannot be met. In such cases, containerization cannot proceed, and dry port investments will not be successful, until the whole transport system is improved.

D. Air transport

49. Air transport offers land-locked countries a means of avoiding the transit problems associated with overland and overseas freight movements. However, only very high-value, low-bulk commodities can support the costs of air freight rates. The main exports from land-locked countries by air are precious metals, high value skins, leather goods, carpets and perishable vegetables and flowers. In emergency situations, bulkier commodities are sometimes air-lifted. It is possible to achieve lower levels of air freight rates through using spare capacity on existing passenger flights. Expansion of air-cargo capacity is made difficult because of inadequate surface distribution systems, low levels of traffic and directional imbalances in freight flows. The main solutions to the problems of directional imbalance and low traffic levels are the creation of multinational regional airlines and the establishment of a hub system of feeder routes. Regional airlines created and run by land-locked and coastal States could benefit both parties.

E. Communications

50. Investment in telematic facilities is an area where action could be taken to improve transit transport systems. Telematics includes "conventional" telecommunication services (telephone and telex) enhanced by more recent technologies of data processing and transmission which involve the use of computers either centrally or in networks (with interlinked databases and electronic mail). Some indication of the underdevelopment of land-locked countries with regard to communications is provided by estimates of numbers of telephones in these countries. Land-locked developing countries had in 1987 about seven telephones per 1,000 inhabitants as compared to 33 telephones per 1,000 for all developing countries as a group. d/ Without investment in facilities, the development of institutions to operate and maintain communications systems and the training of human resources to staff those institutions and use the new equipment, transit corridors will not work efficiently.

F. Documentation and procedures

51. One of the main causes of delays both in ports and at border crossing points is customs procedures. These often involve excessive paperwork and unwieldy formalities. There is much scope for streamlining such procedures and reducing costs, while recognizing the legitimate concerns of transit countries to ensure security. Customs control of goods in transit has two basic features: (a) security to guarantee that duty will be paid on the goods if they are directed to domestic use before the transit is completed; and (b) a method by which customs can be sure that the transit operation has been successfully completed. e/ The guarantee is usually provided by a local bank or insurance company in the form of a transit bond. A first simplification which may be undertaken is to establish a flat rate guarantee. Where transit traffic passes through more than one country, it is important to establish a regional transit bond. This eliminates the need to establish a separate bond for each transit country.

52. The most adequate solution to ensuring that transit operations have been completed is a simple declaration which allows for the identification of goods and specifies their c.i.f. value. Often, more than one document is required for this purpose. But documentation may be streamlined through a single Road Customs Transit Declaration (RCTD), or, with the increasing use of containers and multimodal transport systems, a Multimodal Transport Customs Transit Declaration. A good alternative to a Customs Transit Declaration is a "carnet", as used in accordance with the TIR (Transport International Routier) and TRIE (Transport routier inter-états) Conventions. A "carnet" is a combined declaration and guarantee, the guarantee being set at a flat rate. This system needs to be encouraged. In order to ensure that guarantees are respected, it is important that physical security procedures be correctly followed. The main forms of physical security are seals and locks. A final aspect of documentation and procedures where action is required involves the streamlining of procedures of central banks in releasing foreign exchange for

imports. It is understandable that central banks working under very tight foreign exchange constraints may seek to economize as much as possible. But in the field of transit transport, inflexible procedures, coupled with a desire to direct traffic to routes or modes of transport with least foreign exchange implications can have serious cumulative effects on other sectors of the economy.

G. Management and training

53. The operational effectiveness of transit transport systems depend critically on the quality and skills of human resources. There is an acute shortage of many key managerial skills - in ports, on railways, in the road haulage industry, in telematics. Diversified training programmes, which include workshops, seminars, on-the-job training, and longer courses, are required for managers and also middle- and lower-level operators. Training programmes need to be based on an evaluation of the training needs in each country, and they should encompass both coastal and land-locked countries.

H. Institutional arrangements

54. Institutional arrangements are essential for the implementation of action to reduce transit transport problems. Two particular institutional issues call for priority attention: (a) the role of government in freight management, and (b) the formulation and implementation of bilateral or multilateral regional cooperation agreements in the field of transit transport. In many land-locked countries, governments either directly, through an agency of the Ministry of Transport, or indirectly, through the allocation of import licences by central banks, seek centrally to manage transit traffic. Often the institutional framework devised for this has been established in emergency periods, for instance during famines in the Sahelian zone, or the disruptions associated with armed conflict in southern Africa. During emergencies, a high level of regulation of transit traffic may be necessary. Normally the organization of freight movement is best left to clearing and forwarding agents. At the very least, it is important that governments seek to set up "Users Committees", comprising representatives of freight forwarders, major transport agencies, both public and parastatal, and major importers and exporters. Such committees can provide a useful forum for exchange of information; they can quickly identify transit transport problems as they arise, as illustrated by the effectiveness of the Beira Corridor Authority and Beira Corridor Group in southern Africa.

55. At its core, the transit transport problems faced by land-locked countries are problems of regional cooperation. Regional cooperation arrangements can involve, firstly, the promotion of integration of transport infrastructure, secondly, the harmonization of national transport policies and legislation, and, thirdly, the removal of material and non-material obstacles to trade in transport and communications services. The liberalization of trade in transport services at a regional level is an important goal.

Competition between transit corridors, between transport modes and between operators working within the same mode can provide a major incentive for reducing transit transport costs.

56. In establishing regional transit regimes, it is important that the highest priority be given to the promotion of projects from which both land-locked and transit countries stand to benefit. Some of the subregional integration groupings now in place such as the Economic Community of West African States (ECOWAS) and the Southern African Development Coordination Conference (SADCC) provide a useful framework for fostering such ventures. These subregional integration schemes also offer immense advantages in the long-run for restructuring of the trade and production patterns of the economies of land-locked developing countries. In this context, land-locked countries and their transit neighbours should extend their cooperation arrangements to other areas of trade and industry so that the dependency of land-locked countries on overseas markets can be reasonably reduced. Economic restructuring will, of course, have to take into account the potential for promoting the trade mix that reduces the transport cost disadvantages of land-locked developing countries.

V. TRANSIT TRANSPORT CONSTRAINTS AND THE BALANCE-OF-PAYMENTS IMPLICATIONS

57. The costs, risks and uncertainties of transit transport reduce both the volume and value of land-locked countries' exports. For all economic activities in which the producers are price-takers in world markets, including most primary products of land-locked countries, the incidence of transport costs is borne by producers. High transport costs reduce the return to producers and may render certain activities non-viable. In 1988, only two land-locked countries, Swaziland and Botswana, exceeded the average value of exports per capita achieved by developing countries (excluding petroleum exporters) - $US 196 per capita. In that year, 10 of the land-locked countries had exports per capita of less than $US 30 (see appendix, table 6). Development of new export commodities, particularly manufactured exports, is also hampered. Internationally footloose industry, associated with foreign direct investment, is seldom attracted to land-locked countries, and transport cost disadvantages can only be offset with very low wages. In this respect, coastal countries will generally have a locational advantage in manufacturing export industries. The transit transport constraint also inflates import prices because of additional transit costs.

58. A comparison of the balance-of-payments accounts of land-locked developing countries with the accounts of other developing countries indicates, inter alia, that a large proportion of the foreign-exchange earnings of land-locked developing countries is absorbed in transport payments. Statistics on payment to foreign carriers for transport services are the most readily available direct evidence of the costs that land-locked developing countries bear in any given year because of their geographical situation. Statistics on payments to foreign carriers for transport

services indicate that in 1989 such payments exceeded 10 per cent of exports of goods and services in 14 land-locked countries, and in 9 such countries exceeded 25 per cent. Payments to foreign carriers for transport services absorbed 50 per cent of Malawi's exports of goods and services, 48 per cent of Chad's, 47 per cent of Uganda's, 43 per cent of Mali's and 39 per cent of Burkina Faso's. The average for all developing countries was about 6 per cent (see appendix, table 6).

59. These recent statistics are not abnormal, and the magnitude of transport payments within the current-account balance of land-locked developing countries exposes them to a peculiar type of external shock to which other developing countries are not subject, namely a transport shock. Transport shocks occur when there are major disruptions to transport trade that increase normal shipping costs and lengthen the normal transit times and the routine delays affecting shipments. In the extreme form of such transport shocks, overland trade flows to and from land-locked developing countries are totally curtailed. Several land-locked developing countries have experienced such transport shocks, which have sharply reduced the foreign exchange availabilities in these countries. The combined effect of the low level of export activity, low export prices, high import prices and foreign exchange scarcity, can easily snowball into an economic growth crisis similar to the one that many African land-locked countries have experienced in recent years.

Notes

a/ See hereto "PTA Study on the Possible Reduction and Elimination of Road Tolls and Co-ordination Rationalization of Road and Railway Transport", PTA/TC/TCD/VII/3, 1987.

b/ See: UNDP/UNCTAD, Report of the Symposium on Transit Transport: Issues and Prospects, Lusaka (Zambia) 1990.

c/ A dry port is defined as: "a common user facility with public authority status equipped with fixed installations and offering services for handling a temporary storage of any kind of goods carried under customs transit by an applicable mode of transport, placed under customs control and with customs and other agencies competent to clear goods for home use, warehousing, temporary admissions, re-export, temporary storage for onward transit and outright export". See: UNCTAD, "Dry Ports Planning and Development", Symposium on Transit Transport Issues and Prospects, Lusaka (Zambia) March 1990.

d/ United Nations Statistical Yearbook. All figures refer to 1987 except Chad and Burkina Faso (1986) and Niger (1985).

e/ See: UNCTAD: Customs Facilitation, "Symposium on Transit Transport: Issues and Prospects", Lusaka 1990.

APPENDIX

Statistical tables

Table 1

Selected geographical and demographic data: land-locked developing countries

Country	Area (thousands of km^2)	Distance to the sea a/ (km)	Population					Labour force (percentage)	
			Density (population per km^2) 1989	Total (million) 1989	Average life expectancy at birth (years) 1985-1990	Infant mortality (per 1,000 live births) 1985-1990	Urban (percentage) 1988	In agriculture 1989	In industry 1987
Afghanistan	652.1	2 000-10 600	24	15.7	42	172	21	59	14 b/
Bhutan	47.0	800	32	1.5	48	128	5	91	3 b/
Bolivia	1 098.6	250-2 736	7	7.2	53	110	50	42	20 b/
Botswana	581.7	1 100-1 400	2	1.3	59	67	22	64	12
Burkina Faso	274.2	900-1 210	32	8.8	47	138	9	85	5
Burundi	27.8	1 455-1 850	191	5.3	48	119	7	91	3
Central African Republic	623.0	1 400-1 815	5	3.0	49	104	45	64	7
Chad	1 284.0	1 715-2 015	4	5.5	46	132	31	76	5
Lao People's Democratic Republic	236.8	670	17	4.0	49	110	18	72	7 b/
Lesotho	30.4	740-800	57	1.7	56	100	19	80	5
Malawi	118.5	560-700	71	8.4	47	150	14	76	9
Mali	1 240.2	1 170-1 289	7	8.9	44	169	19	81	3
Mongolia	1 566.5	..	1	2.1	61	68	51	31	21 b/
Nepal	140.8	890	131	18.4	51	128	9	92	1 b/
Niger	1 267.0	1 100-2 690	6	7.5	45	135	18	88	2
Paraguay	406.8	1 043-1 935	10	4.2	67	42	46	47	21 b/
Rwanda	26.3	1 750	265	7.0	49	122	7	91	3
Swaziland	17.4	200-500	44	0.8	56	118	30	67	10
Uganda	235.9	1 450	77	18.1	51	103	10	81	5
Zambia	752.6	2 000-2 750	10	7.8	53	80	54	69	8
Zimbabwe	390.6	592-2 000	23	9.1	58	66	27	69	10
All land-locked developing countries	11 018.1	..	13	146.3	49	121	21	76	7
All developing countries	66 336.2	..	42	2,756.0	58	97	37	55	13 b/

Source: UNCTAD secretariat calculations based on data from the Statistical Office of the Secretariat, ECLAC, ECA, FAO and the World Bank.

a/ Distance from principal towns to main ports. The figures are the shortest and longest routes used.

b/ Most recent estimates between 1985 and 1987.

Table 2

Export processing in land-locked countries and all developing countries, 1985-1986

	Export earnings from processed commodities as a proportion of earnings from exports in non-processed form (percentages)	
	Land-locked countries a/	All developing countries
Processing chains		
1. Meat, fresh - meat preparations	25.0	32.4
2. Fruit, fresh and nuts - fruit, preserved and prepared	-	40.6
3. Vegetables, fresh - vegetables, prepared	-	28.5
4. Sugar and honey - sugar confections	2.3	1.7
5. Unmanufactured tobacco - manufactured tobacco	2.8	23.6
6. Oil seeds and nuts - fixed vegetable oils	16.4	264.1
7. Hides and skins - leather	103.4	428.5
8. Wood, rough and shaped - veneer plywood	7.6	62.9
9. Raw cotton - textile yarn	3.6	154.9
10. Raw cotton - textile fabric	5.1	111.7
11. Raw cotton - clothing	13.0	949.5

Source: UNCTAD, Handbook of International Trade and Development Statistics, 1989.

a/ The sample of countries is the same as for table 4.

Table 3

Export value and purchasing power of exports of the land-locked developing countries

Country	Exports in 1988			Annual average growth rates (%) of :											
	Total		Per capita	Export value				Purchasing power of exports				Purchasing power of of exports per capita			
	$ million	% of GDP	$	1970-1980	1986-1987	1987-1988	1988-1989	1970-1980	1986-1987	1987-1988	1988-1989	1970-1980	1986-1987	1987-1988	1988-1989
Afghanistan	433	11.5	29	21.2	-7.2	-15.4	-23.8	7.9	-13.3	-19.7	-26.0	6.1	-14.4	-21.7	-28.9
Bhutan	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Bolivia	597	13.8	86	19.9	-11.1	4.9	36.9	6.4	-17.1	-2.2	35.5	3.8	-19.4	-4.8	31.9
Botswana	1418	70.5	1170	34.4	83.5	-10.6	-4.1	18.4	70.2	-15.3	-6.7	14.1	64.0	-18.4	-10.0
Burkina Faso	142	7.6	17	18.4	86.7	-8.4	-47.2	5.2	73.8	-13.0	-48.6	2.8	69.4	-15.3	-50.0
Burundi	129	11.8	25	17.2	-46.7	43.3	-39.5	3.3	-50.6	35.9	-41.2	1.7	-52.0	32.0	-42.9
Central African Rep.	95	8.5	33	13.4	-23.7	-5.0	-3.2	1.0	-28.3	-11.1	-5.0	-1.3	-30.2	-13.5	-7.6
Chad	141	15.4	26	14.0	12.1	27.0	-2.8	1.4	4.8	21.2	-5.8	-0.8	2.1	18.2	-8.0
Lao People's Dem.Rep.	81	15.2	21	19.1	3.3	30.6	-1.2	5.0	-4.1	23.9	-3.9	3.2	-6.7	20.5	-6.6
Lesotho	40	10.3	24	26.0	53.8	0.0	0.0	11.0	42.7	-5.2	-2.7	8.5	38.8	-7.8	-5.4
Malawi	284	23.8	35	16.4	13.5	2.2	-8.0	3.2	5.2	-2.5	-8.2	0.0	1.6	-5.9	-11.4
Mali	249	12.8	29	21.1	24.3	-2.7	8.8	7.2	15.6	-7.0	5.6	4.8	12.2	-9.8	2.5
Mongolia	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Nepal	194	6.3	11	9.8	10.8	24.4	-19.6	-3.2	2.7	17.9	-21.8	-5.7	0.0	14.9	-23.7
Niger	290	12.1	40	33.8	27.6	-6.5	-13.8	18.7	17.9	-9.3	-17.2	15.3	14.3	-12.1	-19.7
Paraguay	655	10.9	182	18.8	37.8	72.8	77.6	3.8	27.0	65.6	72.5	0.8	23.3	60.8	67.6
Rwanda	108	4.7	16	21.1	-39.7	-5.3	-18.5	7.5	-43.7	-11.0	-20.5	4.1	-45.6	-14.0	-23.2
Swaziland	453	74.4	613	16.0	52.1	11.6	-0.7	2.0	41.0	6.0	-3.0	-1.0	38.1	2.4	-8.1
Uganda	274	6.4	16	4.6	-19.0	-14.4	-0.4	-7.5	-24.4	-19.8	-1.6	-10.2	-27.1	-22.5	-5.2
Zambia	1178	29.5	150	3.5	116.6	34.9	14.3	-8.3	100.4	29.0	11.4	-11.1	82.7	24.3	7.5
Zimbabwe	1360	21.6	149	12.9	9.1	-4.2	-4.4	-0.7	1.1	-8.0	-6.7	-3.7	-2.1	-11.8	-9.5
All land-locked developing countries	8121	16.9	58	12.9	23.0	5.0	5.6	-0.2	14.7	-0.2	3.0	-2.6	11.5	-3.1	-0.2
All developing countries a/	424943	23.7	196	20.7	23.7	21.7	9.9	5.4	14.1	16.9	6.2	3.0	11.7	14.5	4.0

Source: UNCTAD secretariat calculations, mainly based on UNCTAD, Handbook of International Trade and Development Statistics, 1990.

Note: Annual average growth rates are based on an exponential trend function.

a/ Excluding major petroleum exporters.

/...

Table 4

Land-locked developing countries' share of world and developing country exports of selected commodities, 1970 and 1985-1986 a/

Commodity	Exports of selected commodities of land-locked developing countries as percentage:			
	of exports of those commodities of all developing countries		of exports of those commodities of all the world	
Traditional commodities	1970	1985-86	1970	1985-86
Live animals	10.5	22.1	1.9	4.3
Meat, fresh, chilled, frozen	1.7	2.1	0.4	0.3
Meat in air-tight containers	4.6	1.6	1.2	0.4
Fruit, fresh, and nuts, fresh or dried	1.7	2.7	0.8	1.2
Dried fruit	11.5	-	5.0	-
Coffee	6.3	5.8	6.0	5.2
Tea and maté	5.2	5.0	4.6	4.2
Animal feeding stuff	1.2	1.0	0.5	0.3
Tobacco, unmanufactured	9.1	21.6	2.7	10.0
Hides and skins, undressed	5.1	7.6	1.5	0.7
Furs and skins, undressed	80.9	83.4	2.5	0.6
Oil seed, oil nuts and oil kernels	6.7	5.6	1.8	1.2
Wood, shaped	2.3	1.6	0.4	0.3
Wool and other animal hair	3.7	3.1	0.5	0.4
Cotton	6.5	15.7	4.2	7.2
Ores and concentrates of non-ferrous base metal	6.8	2.9	3.3	1.5
Non-ferrous metal scrap	20.8	1.8	2.5	0.3
Gas, natural, manufactured	11.0	5.2	2.0	1.8
Floor coverings, tapestries	5.5	6.1	1.	1.6
Pearls, semi-precious stones	4.2	2.0	0.6	0.3
Copper	34.8	13.5	16.6	4.4
Zinc	20.5	-	3.7	-
Tin	10.2	8.2	8.9	6.9
Miscellaneous non-ferrous metals	10.2	-	1.3	-

Table 4 (continued)

Commodity	Exports of selected commodities of land-locked developing countries as percentage:			
	of exports of those commodities of all developing countries		of exports of those commodities of all the world	
New commodities	1970	1985-86	1970	1985-86
Maize, unmilled	0.1	3.7	0.0	0.7
Vegetables, fresh	1.3	1.2	0.4	0.4
Sugar and honey	0.1	1.1	0.1	0.8
Wood, rough	0.9	1.2	0.4	0.5
Other crude mineral	-	7.7	-	1.2
Silver and platinum ores	21.1	7.4	2.2	1.9
Uranium, thorium ore	-	99.1	-	27.2
Leather	-	1.8	-	0.5
Textile yarn and thread	-	0.4	-	0.1
Cotton fabrics, woven	0.3	0.7	0.1	0.2
Pig iron, etc.	-	10.0	-	2.7
Iron, steel primary forms	-	2.2	-	0.3
Iron and steel shapes	-	1.0	-	0.2
Nickle	-	49.5	-	3.1
Clothing	0.1	0.2	0.0	0.1
Special transactions	1.4	0.5	0.0	0.1

Source: UNCTAD, Handbook of International Trade and Development Statistics, 1989.

a/ The sample of countries is 13 land-locked countries. No information is available for Bhutan, Botswana, Chad, Lao People's Democratic Republic, Lesotho, Mongolia, Swaziland and Uganda. The commodities selected are the leading exports of the sample of 13 land-locked developing countries, which together account for over 90 per cent of the total exports of the group in either 1970, 1985/86 or both years. "Traditional commodities" are leading exports in 1970; "new commodities" are leading exports in 1985/86 that were of negligible significance in 1970.

Table 5

Import value and volume of the land-locked developing countries

Country	Imports in 1988			Annual average growth rates (%) of :											
				Import value				Import volume				Import volume per capita			
	Total $ million	Total % of GDP	Per capita $	1970-1980	1986-1987	1987-1988	1988-1989	1970-1980	1986-1987	1987-1988	1988-1989	1970-1980	1986-1987	1987-1988	1988-1989
Afghanistan	900	23.9	60	19.4	-29.1	-9.6	-22.2	6.3	-33.7	-14.2	-24.5	4.6	-34.5	-16.4	-27.4
Bhutan	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Bolivia	595	13.8	86	20.6	13.8	-22.4	3.4	7.1	6.1	-27.7	2.4	4.4	3.1	-29.6	-0.3
Botswana	1031	51.3	851	28.2	31.3	10.1	1.8	13.0	21.8	4.5	-0.9	8.9	17.3	0.6	-4.5
Burkina Faso	489	26.3	57	21.8	7.2	12.7	-16.2	8.2	-0.2	7.0	-18.4	5.8	-2.8	4.2	-20.6
Burundi	204	18.6	40	22.4	3.4	-3.8	-8.3	7.9	-4.0	-8.7	-10.8	6.2	-6.8	-11.4	-13.4
Central African Rep.	85	7.6	30	8.9	-50.4	-32.0	3.5	-3.0	-53.4	-36.4	1.6	-5.1	-54.7	-38.1	-1.2
Chad	419	45.7	78	7.5	27.1	14.5	3.8	-4.4	18.6	9.2	0.8	-6.3	15.7	6.5	-1.6
Lao People's Dem.Rep	162	30.4	41	2.4	11.5	11.0	-7.4	-9.7	3.4	5.2	-9.9	-11.2	0.6	2.3	-12.5
Lesotho	430	110.4	257	30.8	5.0	2.4	2.3	15.2	-2.6	-2.9	-0.4	12.6	-5.3	-5.6	-3.2
Malawi	409	34.2	50	17.1	15.5	37.2	23.5	3.8	7.1	31.0	20.6	0.6	3.4	26.5	16.4
Mali	513	26.4	59	23.2	-3.4	7.1	-2.5	9.0	-10.2	2.4	-5.4	6.6	-12.8	-0.7	-8.3
Mongolia	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Nepal	688	22.4	38	18.8	28.4	15.4	-15.7	4.5	19.2	9.5	-18.0	1.9	16.2	6.6	-20.0
Niger	375	15.6	52	27.5	12.1	1.4	-1.3	13.2	3.6	-1.7	-5.2	9.9	0.4	-4.7	-8.1
Paraguay	671	11.1	166	24.5	-19.5	13.7	3.6	8.8	-25.8	9.0	0.6	5.7	-28.0	5.8	-2.2
Rwanda	370	16.1	55	26.4	1.4	3.6	-10.0	12.2	-5.3	-2.7	-12.2	8.6	-8.5	-6.0	-15.1
Swaziland	516	84.8	699	25.5	23.6	18.6	-3.1	10.4	14.6	12.7	-5.4	7.2	10.6	8.9	-8.5
Uganda	544	12.8	31	2.9	80.8	-2.0	19.9	-9.1	68.8	-8.0	18.4	-11.7	62.8	-11.3	14.1
Zambia	839	21.0	107	5.6	22.6	13.5	4.1	-6.4	13.4	8.5	1.4	-9.3	9.0	4.6	-2.2
Zimbabwe	1070	17.0	117	10.9	6.2	2.3	1.9	-2.5	-1.5	-2.8	-0.5	-5.4	-4.7	-5.9	-3.5
All land-locked developing countries	10310	21.4	74	15.8	5.5	4.5	-1.3	2.4	-2.2	-0.6	-4.0	-0.1	-5.0	-3.6	-6.9
All developing countries a/	435306	24.2	201	21.2	20.4	20.9	11.7	5.9	11.1	16.2	7.8	3.5	8.7	13.8	5.7

Source: UNCTAD secretariat calculations, mainly based on UNCTAD, Handbook of International Trade and Development Statistics, 1990.

Note: Annual average growth rates are based on an exponential trend function.

a/ Excluding major petroleum exporters.

Table 6

Payments to foreign carriers for transport service as a proportion of total exports of goods and services

	Transport payments (million dollars) 1989	Exports of goods and services: total (million dollars) 1989	Transport payments ratio (per cent) 1989	Debt service a/ ratio (per cent) 1988
Afghanistan	92.1	280.6	31.7	7.2
Bolivia	140.5	890.7	15.8	46.6
Botswana	103.0	2 174.4	4.7	5.0
Burkina Faso	66.9 b/	200.8 b/	33.3 b/	18.9
Burundi	32.1	117.4	27.3	31.2
Central African Republic	61.4 c/	197.7 c/	31.1 c/	15.5 d/
Chad	96.2	199.0	48.3	4.1
Lao People's Democratic Republic	..	81.0	..	16.9
Lesotho	21.8 e/	480.7 e/	4.5 e/	4.9
Malawi	167.3 e/	334.8 e/	50.0 e/	32.6
Mali	147.3	345.4	42.6	27.1
Nepal	39.7	382.7	10.4	9.1
Niger	42.6	368.7	11.6	43.1
Paraguay	175.7	1 506.0	11.7	19.0
Rwanda	45.6	161.6	28.2	14.1
Swaziland	11.7	674.4	1.7	7.3
Uganda	126.9 e/	272.9 e/	46.5 e/	53.4
Zambia	148.0 e/	1 244.0 e/	11.9 e/	16.3
Zimbabwe	129.2 e/	1 803.0 e/	7.2 e/	27.9
All developing countries	49 325.0	847 204.0	5.8	20.3

Source: UNCTAD secretariat, mainly based on information from the OECD secretariat; UNCTAD, Handbook of International Trade and Development Statistics; and the IMF.

a/ Total external including short-term and use of IMF credit.
b/ 1986.
c/ 1987.
d/ Ratio to exports of goods and services in 1987.
e/ 1988.

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DEVELOPMENT AND INTERNATIONAL ECONOMIC COOPERATION:
TRADE AND DEVELOPMENT

Progress in the implementation of specific action related to the particular needs and problems of land-locked developing countries

Note by the Secretary-General

Addendum

The Secretary-General has the honour to transmit to members of the General Assembly the addendum to the report of the Secretary-General of the United Nations Conference on Trade and Development (see annex).

ANNEX

Progress in the implementation of specific action related to the particular needs and problems of land-locked developing countries

Report by the UNCTAD secretariat

Addendum

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SPECIFIC ACTIONS BY THE INTERNATIONAL COMMUNITY IN FAVOUR OF LAND-LOCKED DEVELOPING COUNTRIES

I. SUMMARIES OF THE REPLIES RECEIVED FROM INDIVIDUAL COUNTRIES

Australia

1. Australia gives development cooperation assistance to 11 land-locked countries, and that has contributed to the alleviation of their special development problems. Examples of Australian funding to land-locked countries in Asia include designing and constructing a bridge over the Mekong River between Laos and Thailand, providing an important land transport link for Laos. In Africa, Australia has contributed 110 million Australian dollars to aid projects in southern Africa over a three-year period commencing in the financial year 1990-1991. Two thirds of the recipients of these funds are land-locked countries: Botswana, Lesotho, Malawi, Swaziland, Zambia and Zimbabwe. The transport and communications sector has been earmarked as a priority development area by these countries and so was chosen as a focal target of the Australian programme. In 1990 Australia agreed to provide up to 1 million Australian dollars per year, for three years, to the South African Transport and Communications Commission (SATCC) of the Southern African Development Coordination Conference (SADCC). Following the "Obasanjo" report of the Commonwealth Foreign Ministers Committee on Southern Africa, Australia responded, inter alia, with the Commodities Assistance Programme to provide equipment for a port at Dar es Salaam, Tanzania, located at the end of one of the region's important transport corridors. Australia also assists in the alleviation of the special problems of land-locked countries through its contributions to the United Nations system.

Austria

2. Austria is actively participating in the preservation of railway lines in East Africa. Currently, Austria has been preparing the rehabilitation and welding of approximately 650 kilometres of the TAZARA rail connection between Tanzania and Zambia. The duration of this project will be seven years. In 1986-1987, Austria supported this project by financing and supplying railroad construction machines. Austria has further supplied one railroading machine each for the Limpopo corridor between Maputo, Mozambique, and Zimbabwe and for the Beira corridor between Beira, Mozambique, and Zimbabwe. In 1989 and 1990, the Austrian Federal Ministry of Finance organized two training courses for customs officials from developing countries. Ten customs officials from the land-locked developing countries have participated in these seminars. Austria also actively supports multilateral activities with a view to assisting land-locked developing countries.

Canada

3. Canada recognizes the special development needs of land-locked developing countries within the context of their status as least developed countries. Assistance to the least developed countries remains a priority in Canadian

official development assistance (ODA) policy, receiving the highest proportion of financing. All ODA to the least developed countries is in the form of grants or offers highly concessional terms. In 1989-1990, total Canadian ODA to these countries was 336.24 million Canadian dollars. Transportation and communications are areas of technical assistance which are especially important to land-locked developing countries, and Canada has long made these areas a priority. Projects undertaken or completed in 1989-1990 include airport improvements in Nepal, supply of telecommunications equipment to the Andes, assistance to the West African telecommunications network, and repairs to the Zimbabwe-Botswana rail line.

India

4. According to the Indo-Nepal Joint Communiqué of June 1990, the earlier Indo-Nepal treaties on transit and trade expired on 23 March 1989. The provisions of the treaties were, de facto, restored following the Indo-Nepal Joint Communiqué issued in Delhi in June 1990. It was agreed that pending finalization of a comprehensive arrangement covering all aspects of bilateral relations, status quo ante to 1 April 1987 would be restored in the relations between the two countries. By issue of administrative orders and appropriate notifications, the facilities originally available to both sides under the treaties were made operational from 1 July 1990.

5. The transit facilities provided to Nepal under the agreement are the following: (a) India allows freedom of transit for Nepalese third-country trade across its territories through routes mutually agreed upon; (b) status quo ante has been restored with respect to border points and routes specified as land customs stations for the movement of goods, with the result that all of the 22 land customs stations have been reopened for the movement of goods between India and Nepal; (c) movement of Nepalese trucks to and from the nearest railway heads/terminals to pick up the export and transit cargo to Nepal has been restored to the conditions that existed prior to 23 March 1989; (d) traffic in transit is exempted from customs duty and from all transit duties or other charges except reasonable charges for transportation and service charges; and (e) facilities are provided for warehousing and for storage of goods in transit awaiting customs clearances before onward transportation to Nepal through Indian territories.

6. With respect to trade preferences, the agreement contains provisions which refer to the exemption from duty of customs with respect to a range of primary products and manufactured goods, to the refund of Indian excise duty to Nepal under the duty refund procedure for goods exported to Nepal, to the exports of goods to Nepal even in categories of prohibited or restricted goods on a quota basis and to bilateral arrangements for the importation of crude oil and petroleum products by India on behalf of Nepal.

7. According to the Indo-Bhutan Agreement on Trade and Commerce of March 1990, the transit facilities which India provides to Bhutan include the specification of 13 exit/entry points to facilitate imports into and exports from Bhutan and of the import/export procedures with respect to Bhutan's trade with third countries. The agreement also refers to the favourable treatment

of merchant ships sailing under the flag of Bhutan. With respect to trade preferences, the agreement stipulates that there is free bilateral trade and commerce between India and Bhutan, that all exports and imports of Bhutan to and from countries other than India are free from customs duties and trade restrictions and that India provides refund of excise duties on goods of its origin exported to Bhutan.

Japan

8. Japan ODA disbursements in the form of grants for the period 1985 to 1989 to all the land-locked developing countries totalled $US 1,943 million, of which grant aid accounted for some 70 per cent, the residual constituting disbursements for technical cooperation activities. The bulk of Japan's assistance was received by six countries, namely, Bolivia ($US 233 million), Lao People's Democratic Republic ($US 124 million), Nepal ($US 438 million), the Niger ($US 136 million), Paraguay ($US 226 million) and Zambia ($US 256 million).

Senegal

9. Since independence, Senegal and Mali have signed several accords and conventions on cooperation in the area of transit transport. In this connection, Mali has been allocated space in the port of Dakar for the movement of transit goods. This space is linked with the railway line Dakar-Bamako. As to the maritime traffic, it should be noted that a project to improve the operations within the Senegal River Basin is being finalized. This will facilitate transport services in Mauritania, Mali and Senegal.

Thailand

10. In 1989, Thailand provided technical assistance in the form of fellowships to the Lao People's Democratic Republic and Bhutan. In 1990, similar assistance was accorded to Laos, Nepal and Zimbabwe. The Lao People's Democratic Republic will receive further such assistance in 1991.

Turkey

11. Turkey's project assistance has been extended to Chad, Mali and Niger within the context of the Sahel Technical Assistance Programme. This programme includes feasibility studies of a small-scale cement factory in Chad. An on-the-job Training Centre in Mali and a Vocational and Technical Training Centre in Niger are being established. Furthermore, group on-the-job training programmes are being conducted in Turkey for candidates from Chad, the Niger and Zambia. Difficulties and obstacles encountered by the Turkish authorities in assisting developing countries include delays in identifying projects, lack of follow-up work and renovation after the completion of the projects and limited capability in appointing competent personnel to manage the projects.

Ukraine

12. Ukraine supports the rights of land-locked countries to have access to the sea and the free transit of goods and passage through territories of other countries in accordance with the standards of international law and has ratified relevant international conventions on transit trade and transport. Furthermore, Ukraine took an active part in the preparation and adoption of a number of important documents such as the Paris Declaration and Programme of Action for the Least Developed Countries for the 1990s, which, inter alia, address the specific needs and problems of land-locked developing countries.

II. SUMMARIES OF REPLIES RECEIVED FROM INTERNATIONAL ORGANIZATIONS

A. United Nations bodies and programmes

Department of International Economic and Social Affairs

13. The Statistical Office of the Department maintains a statistical database of international trade by commodity and by partner country for all countries which provide such data to the United Nations Statistical Office. Data is available for some land-locked countries and transit countries. In the area of transport, a few years ago DIESA devoted its Transport Newsletter to the substantive transit and transport-related issues of the land-locked countries as they affect the movement of goods and merchandise between these countries and their overseas trading partners. In the area of population, DIESA undertakes research and analysis addressing the situation of the land-locked developing countries.

Economic Commission for Africa

14. The African land-locked countries have benefited from a number of studies carried out by ECA. In 1986, a prefeasibility study entitled "Navigability of the Kagera River" was carried out to show the extent to which countries in the Kegera River Basin would benefit if goods were transported by train from Mombasa and Dar es Salaam, respectively, to Lake Victoria, then carried further by ferry-boat on the lake and on the Kagera River. Furthermore, ECA carried out a prefeasibility study on containerization in the countries of the Economic Community of the Great Lakes Countries (CEPGL). A preliminary study on the development of an integrated network of road transport for all CEPGL member countries has also been carried out. In addition, ECA has organized a number of seminars and workshops focusing on human resource development and strengthening of the institutional capacities related to transport.

Economic Commission for Latin America and the Caribbean

15. ECLAC is carrying out programmes of technical assistance and research in favour of less developed countries of Latin America. In this context, Paraguay and Bolivia, the only two land-locked countries in the ECLAC region, are being given special attention. In particular, ECLAC in cooperation with

la Junta del Acuerdo de Cartagena (JUNAC) has been instrumental in preparing a system for international transit traffic of goods between Bolivia and Peru. The system provides a significant improvement for the transit of goods and customs arrangements between the two countries. The system will be effective starting June 1991.

Economic Commission for Asia and the Pacific

16. ESCAP is presently implementing a project specifically addressing the needs and problems of least developed land-locked countries in the ESCAP region. The project is aimed at assessing the support services and policies for export trade in the four least developed land-locked countries and identifying measures which can be implemented within these countries to promote their export trade.

United Nations Centre on Transnational Corporations

17. During the period 1976-1990, the Centre carried out a number of studies related to the particular needs and problems of land-locked developing countries. These studies were undertaken in Bolivia, Botswana, the Central African Republic, Nepal, Swaziland and Zimbabwe and were essentially focused on the assessment of investment potentials in these countries, particularly in the mineral sector, and the measures that should be undertaken to bolster their capability to promote joint ventures with multinational corporations on terms and conditions that protect their national interests.

United Nations Conference on Trade and Development

18. UNCTAD has continued to act as lead agency in mobilizing international support in favour of land-locked developing countries. On the basis of the information collected in the framework of ongoing technical assistance activities, UNCTAD has been elaborating policy proposals for a more effective approach to resolving the particular problems facing land-locked developing countries at both the national and subregional levels. Some of these proposals are briefly highlighted in sections I and II of the present report. These proposals are designed to heighten the awareness of the fundamental disadvantages that characterize the land-locked countries and thus to bolster the political will of the donor community to provide greater support to these countries.

19. In the area of technical assistance, UNCTAD's involvement essentially seeks to respond to the priority needs of land-locked developing countries and their transit neighbours. In this connection, UNCTAD has continued to execute the UNDP/United States Agency for International Development-funded project in southern Africa entitled "Transit Traffic and Support to the Transport Sector". The current phase of the project is focused on assisting - in full collaboration with SATCC - the land-locked countries and their transit neighbours in the subregion to implement recommendations already made by the project, particularly in the following areas: dry port development; trade facilitation; bilateral road transit agreements; development of alternative

transit routes; development of an advance cargo information system (ACIS) along the major transit corridors; development of indigenous, private small-scale road transit-traffic haulers; and human resources development. The future work of the project will have to address new challenges that will emerge from the political developments in southern Africa during the post-apartheid era as the traditional transit routes to the South African ports regain their previous importance. Similar technical assistance programmes have been developed by UNCTAD in consultation with UNDP for the East-Central and West-Central African subregions. Both projects are now operational. Studies so far carried out have identified priority areas for action. The key problem areas being addressed are transit documentation, transit agreements, road and rail operations, advance cargo information systems, dry port development and human resource development.

20. In addition, UNCTAD has executed a UNDP-funded project for African land-locked countries entitled "Shipping policy for land-locked countries". The project is primarily aimed at assisting land-locked countries in creating the necessary structures to ensure protection of the interests of shippers vis-à-vis land, air and ocean carriers moving their cargoes, and, consequently, to influence positively transport costs and conditions. All the above technical assistance activities by UNCTAD are undertaken in full cooperation with subregional institutions dealing with transit transport matters, particularly the Southern African Transport and Communications Commission (SATCC) in southern Africa, the Ministerial Conference on Maritime Affairs of West and Central African States (MINCONMAR) in West/Central Africa and the Northern Corridor Permanent Secretariat and the Kagera River Basin Organization (KBO) in East/Central Africa. These technical assistance activities are also implemented in cooperation with the Economic Commission for Africa, particularly within the framework of the programme of the Transport and Communications Decade in Africa. This cooperation involves, inter alia, mutual consultations in the formulation of project documents and the participation by experts from the Economic Commission for Africa in some of UNCTAD technical assistance activities.

21. In the Asian region, where UNCTAD - with the financing of UNDP - since the mid-1970s has provided technical assistance advisory services to the land-locked countries, a number of recommendations made have been implemented by the countries themselves and the donor community. UNCTAD has just completed a comprehensive survey of future technical assistance requirements in the area of transit transport. This will be followed up by efforts to mobilize funding for supporting the implementation of proposed project activities.

22. UNCTAD has a number of other ongoing technical assistance programmes covering such areas as international trade, financial resources management, multimodal transport development, port management and maritime training. These are designed to provide services to all developing countries, including land-locked countries. Some of these are, however, of particular relevance to the special needs of land-locked countries. The trade facilitation programme (FALPRO) provides immense support to these countries on matters related to the

simplification and harmonization of trade formalities and procedures largely within the framework of the transit transport project referred to above. In a related specific area, namely the Automated System for Customs Data (ASYCUDA), the programme has continued to make headway in the African region on the installation of UNCTAD's ASYCUDA system in the customs administrations of Burundi, the Central African Republic, the Niger, Rwanda, Zaire and Zimbabwe. Other countries showing interest in developing projects are Botswana, Lesotho, Malawi, Swaziland and Zambia. These projects are designed to assist the customs administrations to modernize, simplify and harmonize their procedures in terms of physical clearance of goods, control of transit traffic, and accompanying documentation as well as to increase the amount of duties and taxes collected, usually the principal source of government revenue. It is likewise intended to provide up-to-date, complete foreign trade and fiscal data.

United Nations Development Programme

23. UNDP fully incorporates into its regular programming activities the concerns of the land-locked countries. In particular, one of the additional criteria for the Indicative Planning Figure (IPF) allocation is indeed land-locked country status. Land-locked country status also constitutes a supplementary criterion for the calculation on the fifth cycle IPFs for the land-locked countries. All projects in the land-locked countries in the areas of transportation and international trade take their particular problems into account. The vast majority of these projects are executed by UNCTAD.

World Food Council

24. In the food policy area, the Council has always accorded due attention to the special problems facing land-locked developing countries, in particular the 15 least developed among them, where per capita food consumption remains among the world's lowest, as the population is gripped by chronic hunger and widespread malnutrition. An example of the Council's policy effort with the built-in component related to land-locked developing countries is the national food strategy (NFS) concept launched by the Council in the 1980s. A number of land-locked developing countries are implementing the NFS.

B. United Nations specialized agencies and related organizations

Food and Agriculture Organization of the United Nations

25. FAO is presently executing more than 400 projects with a total budget of $US 367 million in land-locked countries. The inventory and monitoring of the renewable natural resources in several of these countries are important tasks in which the FAO Remote Sensing Centre has been involved. The FAO Global Information and Early Warning System on Food and Agriculture (GIEWS) also continued to monitor crop conditions, production prospects and food supplies in some of these countries. In the field of agricultural sector planning,

including land reforms, macroeconomic policy formulation and strengthening of institutions, FAO is providing technical assistance to some of the land-locked countries. Furthermore, training in the agricultural sector is a continuing feature of FAO assistance. In the fisheries sector, assistance is provided with the objective of helping land-locked countries to obtain self-sufficiency in food supply and to maintain food security. In the forestry sector, FAO has been sponsoring the promotion of community forestry development projects, the national Tropical Forestry Action Plan (TFAP), and research activities.

International Civil Aviation Organization

26. A number of specific actions have been taken by ICAO to ensure that as many States as possible accord to the carriers of the other States "the so-called First Freedom of the Air", i.e. the privilege to fly across the territory of another State without landing. Furthermore, the land-locked countries benefit from ICAO's continuing programme of regional studies, workshops and seminars, as well as technical assistance.

International Labour Organisation

27. ILO's technical cooperation activities are programmes in the framework of UNDP country, regional, inter-country and global programmes. The areas covered by ILO's operational activities which are particularly responsive and relevant to the problems and needs of the land-locked countries relate to the transport sector where ILO activities focus on upgrading managerial capacity and institutional development. Special reference should be made to the inter-agency collaboration on the Human Resources and Institutional Development Project in the transport and communication sector in Africa, which was recently completed. Total expenditures for ILO technical cooperation programming in 1990 for land-locked developing countries amounted to $US 25 million.

International Monetary Fund

28. Within its overall policy, the Fund's activities have met the special needs of land-locked developing economies in a number of ways. The quotas of land-locked developing countries reflect their particular situation as producers of primary exports that are subject to price and volume fluctuations. Fund assistance to member countries has comprised policy advice, financial assistance and technical assistance. Policy advice is provided in the context of the annual article IV consultations with the country authorities and in discussions on the use of IMF financial resources. The Fund's financial resources are made available to member countries through various facilities. As at the end of February 1991, the Fund resources under all facilities allocated to land-locked developing countries totalled $US 1.9 billion. The Fund also has in place a wide range of technical assistance activities from which land-locked developing countries benefit. These activities are in the central banking, fiscal, legal and statistical fields.

United Nations Industrial Development Organization

29. Among projects being undertaken by UNIDO that address the specific needs of the land-locked countries are those in the field of food, leather and garment industries. Furthermore, other UNIDO projects giving special attention to the problems in land-locked and least developed countries emphasize long-term skill development, preparation of manpower plans, economic integration and resource development.

Universal Postal Union

30. The technical cooperation activities undertaken by UPU in 1989 with regard to the land-locked developing countries were organized within the framework of postal projects financed by UNDP or by the resources available to UPU itself. They mainly concern the development of the quality of postal services and the training of staff of the respective countries. Furthermore, operational equipment was provided to most of them over the period 1989-1990.

World Bank

31. Bank assistance to land-locked developing countries during 1990 amounted to some $US 1,136 million and was concentrated in agriculture, adjustment programmes and transportation. Details on sectoral lending to 13 land-locked countries indicate that some 75 per cent of the Bank's resources supported programmes in these three key areas. Resources channelled to the transportation sector accounted for 17.5 per cent.

World Meteorological Organization

32. WMO provides assistance to meteorological or hydrometeorological services in the land-locked developing countries to enhance their capabilities to provide required services to transportation. This is the area where land-locked developing countries can benefit from our activities.

C. Summaries of replies received from intergovernmental organizations

The Commonwealth Secretariat

33. The Commonwealth Secretariat, in recognizing the special needs of the land-locked countries, provides significant assistance to seven African countries (Botswana, Lesotho, Malawi, Swaziland, Uganda, Zambia and Zimbabwe). The areas of this assistance programme include human resource development and institution building, management, administration, agriculture, health and transport. The estimated cost of all current activities in land-locked countries is about $US 10 million.

The West African Economic Community

34. Since its inception in 1970, the West African Economic Community has carried out a number of studies on the problems of land-locked countries. In particular, a three-phase subregional programme has been adopted with a view to (a) the granting of harbour facilities to land-locked countries in coastal countries, (b) building support facilities at railway stations in the land-locked countries, and (c) providing equipment at the terminals of the railway stations. Furthermore, the secretariat of the Economic Community for West Africa has also organized a seminar on subregional transit conventions.

Economic Community of West African States

35. Action by ECOWAS in favour of land-locked countries has included the adoption of decisions to facilitate transportation of goods to these land-locked countries. These relate to conventions with respect to inter-State road transportation of transit goods and a guarantee scheme for the movement of such goods.

The Inter-American Development Bank

36. The Inter-American Development Bank has carried out a number of projects to alleviate transport traffic problems. In Bolivia, the IADB has agreed to finance a road construction project between Patacamayo and Tambo Quemado at the Chilean border. It is aimed especially at creating a corridor for Bolivian imports and exports. A similar project to improve the movement of goods to Peru has been initiated between Rio Seco and Desaguadero. Furthermore, a programme has been initiated to identify feasible cross-border projects, especially in the transport and energy sector. In the case of Paraguay, the IADB is financing the surfacing of the road between Puerto Concepción and Cuero Fresco. This road is one of the major outlets for exports and imports to Brazil. Finally, IADB also finances development projects that contribute to the efficient navigable use of the rivers Paraguay and Parana for the main purpose of transport of goods.

Islamic Development Bank

37. Five land-locked countries have benefited from the assistance provided by IsDB. The approved projects during the period 1976-1990 were as follows: Niger ($US 161 million); Mali ($US 56 million); Uganda ($US 44 million); and Burkina Faso ($US 53 million). Funding has concentrated mainly on such areas as agriculture, transport, health, industry and human resources development.

International Fund for Agricultural Development

38. To date, 18 out of 20 land-locked developing countries that are members of IFAD have benefited from 59 loans for 50 projects. The loans committed to these projects amount to $US 521 million. With few exceptions, these loans have been extended on highly concessional terms.

The Organization of American States

39. The Organization of American States has approved over $US 3 billion over the past five years for projects in Bolivia and Paraguay some of which take into account the particular problems relating to their geographic situation. As a national counterpart contribution to support these development activities, the two countries supplied more than $US 3.3 billion.

Organisation for Economic Cooperation and Development

40. The net total disbursement of ODA in current prices from all sources to 20 land-locked developing countries increased from $US 4.2 billion in 1987 to $US 5.1 billion in 1989. The level of individual country receipts ranged from $US 498 million for Nepal to $US 29 million for Swaziland in 1989.